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THE INDONESIAN QUARTERLY

The Third ASEAN Summit and Beyond

- Current Events
- The Third ASEAN Summit and Beyond
- Into the Third Decade: ASEAN and Issues of Peace and Security in Southeast Asia
- Continuity and Change in the Political Development of ASEAN
- Instability of Global Environment and ASEAN Economic Co-operation
- ASEAN Co-operation: Problems and Prospects
- The Emerging Pacific Regional Structure
- Book Reviews

CENTRE FOR STRATEGIC AND INTERNATIONAL STUDIES

The Quarterly

The Indonesian Quarterly is a journal of policy oriented studies published by the Centre for Strategic and International Studies (CSIS), Jalan Tanah Abang III/23-27, Jakarta 10160. It is a medium for research findings, evaluations and views of scholars, statesmen and thinkers on the Indonesian situation and its problems. It is also a medium for Indonesian views on regional and global problems. The opinions expressed in *The Indonesian Quarterly* are those of their authors and do not necessarily reflect the opinion of the CSIS.

The Logo



To better represent the underlying ideas that gave birth to the CSIS in 1971 the Centre uses as of 1989 the logo that figures on the front cover of this journal. The original, in bronze, designed by G. Sidharta, it consists of a disc with an engraving that depicts the globe which serves as a background to a naked man with an open book laid on a cloth over his lap, his left hand pointing into the book, his right hand raised upwards. Altogether it simbolises the Centre's nature as an institution where people think, learn and communicate their knowledge to whoever are interested, to share it with them, mankind the world over being their concern and the globe their horizon. The nakedness symbolises the open-mindedness, the absence of prejudice, in the attitude of the scholars who work with the Centre, just as it is with scholars everywhere. The inscription reads *"Nalar Ajar Terusan Budi,"* which in the Javanese language essentially means that to think and to share knowledge are only the natural consequence of an enlightened mind. It is a *surya sengkala,* that is *chandra sengkala,* a Javanese traditional way to symbolise a commemorable year in the lunar calendar, adapted to the solar calendar system. It consists in using words that express the perceived meaning of the commemorated year while marking the year at the same time, each word having a numerical value. Thus, the inscription, in reverse order, represents the year the CSIS was established: 1971.

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From the Editor

STARTING with this first issue of 1989, *The Indonesian Quarterly* comes out with an entirely new appearance. The change has been decided after professional consultations with *Matari Inc.*, a prominent Jakarta-based advertising and marketing agency which has also designed the new cover. The publisher of *The Quarterly* hopes that the new makeup will make it easier for readers and would be readers to identify the journal even among countless books and other publications in the library or bookstore. It is also hoped that the new layout will ensure more convenient and comfortable reading.

As the issue should have come into circulation in early January, a little more than one year after ASEAN's December 1987 Manila Summit, it has been prepared to present some thoughts on what the regional organisation has achieved so far and, especially, on its prospect in the next decade.

By way of introduction the reader may follow, in "Current Events," J. Soedjati Djiwandono's short commentary entitled "ASEAN's Agenda for the Future," which is an attempt to look into the arguments of those who would be in favour and those who would be on the negative side in answering the fundamental question of whether or not ASEAN regional cooperation would continue to be relevant.

It is followed by an overview of developments relevant to ASEAN since the first Summit Meeting in Bali in 1976 till the December 1987 Manila Summit provided by C.P.F. Luhulima in "The Third ASEAN Summit and Beyond," in which he also presents his views on the prospect of the regional organisation in the years ahead.

Sukhumbhand Paribatra attempts to identify and examine, in "Into the Third Decade: ASEAN and Issues of Peace and Security in Southeast Asia," developments that are likely to pose challenges, "which ASEAN countries collectively and individually will have to cope with and manage in the most constructive manner, in order to ensure continued stability and development."

Chandran Jeshurun discusses ASEAN's political development in "Continuity and Change in the Political Development of ASEAN." In doing so he avoids the generalisation to which

the subject would tend to lead the observer and proposes instead an approach that consists in addressing some vital areas of political development in each member country: the nature of government structures, the role of leadership and the future prospect of stability.

Djisman S. Simandjuntak, in "Instability of Global Environment and ASEAN Economic Co-operation" suggests that after having successfully coped with the difficult years of the early 1980s, ASEAN countries squarely face the challenges of the 1990s which in different parts of the region will continue to consist mainly of the problems of unemployment, persistent poverty and average low level of education, in a global environment that will continue to be characterised by instability, by even enhancing the growth performance that the economies of the region have achieved so far.

Almost exclusively focussed on the economic dimension of ASEAN co-operation, C.M. Wong's perspective paper, "ASEAN Co-operation: Problems and Prospect," is an attempt to reflect on such questions as: Why is ASEAN co-operation so comprehensive in some instances yet not in some others? If voluntary, collective actions by its members produce benefits for the group as a whole, does it follow that non co-operation is the result of either imperfect information and/or "irrational" political behaviour?

Finally, as ASEAN's destiny is obviously part of that of the Pacific region, the Editor would like to propose M. Hadi Soesastro's brief survey of literature that may be of particular interest to those who deal with the question of whether or not to institutionalise economic co-operation in the region, but would, indeed, be interesting to all students of the fascinating Pacific phenomenon.

Kajat HARTOYO

Current Events

The Strong Increase in the 1989/90 Budget

Djisman S. SIMANDJUNTAK

AN AUSTERE STATE BUDGET has been among the salient features of Indonesia's economic policy since at least 1986. The same has been widely expected to apply to 1989/90, the first year of the Fifth Five Year Development Plan as neither the policy norms nor the economic variables that traditionally govern the formulation of the state budget in the already 20 years old New Order, have changed or reversed. The adherence to a balanced budget in the sense of refusal to finance deficit through domestic financing has never been seriously challenged, in spite of the government's highly unfavourable resource position in the wake of the plunging oil price. The fragmented debates on debts have also led nowhere. Debt servicing according to schedule continues to rank very high in Indonesia's budget priorities, notwithstanding the increasingly negative net resource transfer from external borrowing. That at least a token increase in development expenditure, is understood as a must by the government. Furthermore, the unstable accord among OPEC members is widely perceived to be insufficient to push oil prices to a substantially higher level in the short term. Accordingly, the 1989/90 Budget was based on an oil price as low as US$14/barrel, implying a further decline in the oil revenue of the government. Finally, another jump in non-oil revenue is generally seen as unlikely given the weak growth performance, the complaint of the Department of Finance about an undermanned Directorate General for Taxes and the latent resistance against tax payment among potential tax payers.

Under such circumstances, the 26.3 per cent increase of the 1989/90 State Budget over last year's appears to be inappropriate. It also seems to contradict the government's repeated attempts to enhance the private sector as reflected among others in the three policy packages or parcels announced in the last quarter of 1988. However, there is a serious weakness in the comparison of the two consecutive budgets. Of greater relevance is a comparison of the 1989/90 Budget, for intance, with the realisation of previous one. Using the realisation figures of

the first six months of 1988/89, and assuming that the ratio of both revenue and expenditure in this first half to the realisation in the whole of 1989/90 is the same as the average of the first semester's realisation in 1986/87 and 1987/88, one can compare the 1989/90 Budget to the estimated realisation of the 1988/89 one. The picture becomes, indeed, very different as one can see from the Table to this notes. The 1989/90 State Budget exceeds the estimated realisation of 1988/89 by only 11.8 per cent. The same applies to most of the major budget items. However, the question on the feasibility of the 1989/90 Budget remains or even becomes more pressing especially as regards the revenue side.

The routine expenditure is the only non-controversial part of the 1989/90 Budget. The fact that salaries and wages of government's employees have been frozen in three consecutive years at a time when the fraction of this expenditure in Indonesia's total expenditure is much lower than that of the rest of Southeast Asia, has led to a strong demand for ending this freeze. Therefore, the decision to increase salaries and wages by 15 per cent is widely accepted as a positive step. The increase in external debt services by nearly 15 per cent over the budget or 4.1 per cent over the estimated realisation of 1988/89 Budget is certainly felt as a handicap to economic growth, yet unavoidable in view of the commitment to timely debt servicing. However, debates on the debt burden which accounts for one third of the total expenditure or even 48 per cent of the total domestic revenue have intensified, if remain inconclusive. The need for debt renegotiation including debt relief and debt rescheduling has been expressed in a cautious way by a number of prominent observers. The viability of the present debt policy of honouring debt liability according to schedule on the one hand and a heavy borrowing on the other, has been questioned, partly because of the inter-temporal distributional effects of foreign debts, but also because of the crucial reliance of the present policy on Japan's lending policy. Of the total bilateral commitment pledged in the 1988 meeting of Indonesia's major creditors, the IGGI, 64 per cent was committed by Japan and the so-called special credit as it appeared in the item of programme aid comes exclusively from Japan. Finally, the increase of 24.2 per cent in the transfer to provincial governments. On the contrary, the demand for improvement in the resource position of provincial governments is strong, not because of a resurgence in provincialism, but because of the deregulation which indeed, puts more burden on the shoulders of provincial governments in the implementation of deregulations.

Comments on the increase of 47.6 per cent in the development expenditure over the 1988/89 Budget or 39.6 per cent over the estimated realisation of 1988/89 are different. The question on compatibility of this increase with the policy of deregulation has been mentioned earlier. The fact that the contribution of government savings to the financing of development expenditure is only 14 per cent -- while the rest will have to come from foreign borrowing -- is also seen as a weak point, in spite of the repeated assurance by the government that the big increase in debt will not create a burden to future taxpayers. The more serious question, however, concerns the ability of the government to absorb an increase in development expenditure as high as the one planned in the 1989/90 Budget without having to commit

greater inefficiency. Experiences are abundant suggesting that a rapid increase in development expenditures can worsen the problem of co-ordination, which in turn may even lead to a project ruin, not to speak of the problem of corruption. However, one has to note at this juncture that the size of Indonesia's development expenditures is partly determined by the need to finance deficit in the balance of payments, especially since 1987. Without the generous use of the so-called "special credit" which is included as part of development expenditures in the budget, the current account deficit would have climbed to a level which is much higher than what Indonesia can finance through the net inflow of project assistance, foreign direct investment and the use of foreign exchange reserves. Capital flight might take place on a large scale as any gap between the current account deficit and financing possibility is enough to trigger the circulation of rumours about devaluation.

Although limited space does not allow a detailed discussion of the development expenditure, some points should not be left untouched. Firstly, attempts towards a more rational expenditure is reflected among others in the abolition of subsidy on pesticides, the reduction of fertiliser subsidy through an increase in prices and the negligibly small capital participation in state enterprises. Secondly, a shift towards expenditure on infrastructure is also apparent in the 1989/90 State Budget as can be seen from the concentration of development expenditure on transportation, agriculture and irrigation, education and other social services.

The question of feasibility is of even greater relevance to the revenue side with the exception of the oil revenue which is based on a low scenario in oil prices. Total non-oil revenue is expected to increase by 34 per cent over the 1988/89 Budget or even 42 per cent over its estimated realisation. The corresponding percentage increases in taxes are 32 per cent and 65 per cent for income tax which is now extended to interest income, 22 per cent and 47 per cent for Value Added Tax which now also covers telecommunication services, domestic air transportation and management services, 98 per cent and -7 per cent for urban Land and Building Tax, 33 per cent and 32 per cent for import duties, 12 per cent and 15 per cent for excises, and 63 per cent and 0 per cent for non-tax revenue.

The immediate question is the extent to which these high targets can be achieved. While there is an extension of taxes to new areas and an increase of tax rate on luxuries, the biggest part of the increase has to come from extra efforts to reach a greater number of taxpayers. The room for doing so exists, at least theoretically, given the currently low ratio of about 9 per cent of tax revenue to GDP. On the other hand, the infrastructure for a quantitative jump in tax collection has various weaknesses which are difficult to remove. The "total commitment" to tax mobilisation declared by various officials immediately after the announcement of the draft budget, is a necessary but insufficient condition for the attainment of the 1989/90 tax revenue targets.

Indonesia's recent experiences in respect of external debt is somehow unique compared to other heavily indebted countries. The existence of the Inter Governmental Group on Indonesia (IGGI) with its annual meeting is perhaps one of the main factors behind this unique experiences. In spite of the weak economic performance Indonesia

Table

SELECTED INDICATORS OF RECENT GOVERNMENT BUDGETS
in Billions of Rupiah

	Actual 1987/88 (1)	Estimated Realisation 1988/89* (2)	Budget 1989/90 (3)	(2)/(1) % (4)	(3)/(2) % (5)	Budget 89/90 / Budget 88/89 % (6)
Domestic Revenue	20,803.3	21,782.8	25,249.8	105	116	116
Oil & Gas	10,047.2	9,537.6	7,899.7	95	83	89
Non-Oil	10,756.1	12,245.2	17,350.1	95	142	134
Income Tax	2,663.4	3,000.5	4,947.6	113	165	132
VAT	3,390.4	3,974.1	5,830.9	117	147	122
Property Tax	275.1	689.2	638.5	251	93	198
Import Duties	938.4	1,080.0	1,421.2	115	132	133
Excices	1,105.7	1,295.2	1,487.0	117	115	112
Other Taxes	222.9	159.5	424.6	72	166	156
Non-Tax	1,976.7	2,046.7	2,047.6	104	100	163
Programme Aid	727.8	4,441.4	1,798.9	610	42	155
Project Aid	5,430.2	6,497.9	9,526.2	120	147	159
Routine Expenditures	17,481.5	21,689.8	23,455.0	124	128	117
Salaries	4,616.9	4,808.0	5,966.5	104	124	124
Transfer to Local Gov.	2,815.6	2,993.8	3,594.1	106	120	124
Debt Services	8,204.6	11,755.6	12,236.8	143	104	115
Gov. Saving	3,321.8	93.0	1,804.8	3	1,900	104
Development Exp.	9,479.8	9,408.2	13,129.9	99	140	148
Project Aid	5,430.2	6,497.9	9,526.2	120	147	159
Total Rev./Exp.	28,963.6	31,098.0	36,574.9	107	117	126

Notes: *Estimated on the basis of realisation in the first semester 1988/89 using the average realisation of the first halves of 1986/87 and 1987/88.

has had no difficulty so far in securing new inflow of borrowed capital at an amount sufficient to finance the resource gaps. The country's return to the status of a big borrower of programme aid proceeded also without much ado thanks largely to Japan which in its turn is confronted with a situation where it has to recycle a huge current account surplus.

The probability is rather high that Indonesia can again receive a large amount of foreign assistance in 1989/90, perhaps even at terms at least as favourable as in the

previous year. Indonesia's record in economic policy adjustment can still serve as a big plus point in the country's creditworthiness. However, greater effort will be needed to secure the increase of 55 per cent in the programme aid and of 59 per cent in the project aid. Concrete steps towards an improved debt management, institutional improvement as a condition for speedy disbursement and for minimising leakages including corruption, have to be prepared. On these scores, Indonesia has frequently been criticised. Details statistics on debt are not readily available, forcing people to rely on data released by non-governmental agencies, especially the World Bank. The amount of unused commitment continues to be very large, not only because of the dwindling government savings but also because of administrative bottlenecks, including the inadequacy of research capability which is needed for project studies. Poorly prepared feasibility study was cited for instance as an important reason behind the damages to various projects financed through project aids. The poor co-ordination has been alluded to earlier. There are projects which remain dormant after their completion as it turns out that the economic activities linked to them fail to emerge.

To summarise, the increase of the 1989/90 State Budget over that of the previous year's is surprisingly big in view of the constraints described in the opening part of these notes. Some targets appear to be rather ambitious even in comparison to the estimated realisation of the 1988/89 Budget. For the financing of development expenditure, however, the government is critically dependent on borrowed funds. However, one should not overestimate the expansionary impacts of this State Budget on the economy as no less than one third of it will be spent on the servicing of external debts, and another 26 per cent will be tied to the procurement of goods and services from abroad in the form of project assistance.

ASEAN's Agenda for the Future

J. Soedjati DJIWANDONO

THIS BRIEF commentary will not promise recommendations for a definite politico-economic strategy for ASEAN in the face of current trends and developments that are likely to continue into the next decade of the 1990s or even beyond. Rather, it will attempt to pose certain fundamental questions or issues to be considered for their resolution by the ASEAN member states before certain strategies may be considered and determined, at best with a view to benefiting from such trends and developments, or at any rate to reducing the damage that such trends and developments may bring about to the countries of Southeast Asia, particularly the ASEAN member states.

To begin with, would ASEAN regional co-operation continue to be relevant to the interests of its member states in the face of current trends and developments, especially in the light of its performance in various fields? This is a question of fundamental importance, the answer to which would determine whether or not an ASEAN strategy would be desirable and feasible. It seems likely that the answer to that question will be neither an absolute affirmative nor an absolute negative. Therefore, what will be presented here are not much more than arguments on both sides of the issues.

On the negative side, one may argue that in spite of repeated commitments to ASEAN regional co-operation on the part of its member states, particularly as reflected in the resolutions of both the Bali Summit of 1976 and the Manila Summit of 1987, the fact remains that ASEAN has not achieved as much as expected either in the political or particularly in the economic field. In order to argue the case for ASEAN regional co-operation especially in view of the lack of intra-ASEAN economic co-operation, in which field perhaps ASEAN has notoriously made the least progress, it has often been argued that there has been greater success in the field of political co-operation, citing as an example the achievement of an ASEAN common diplomatic stand on the Kampuchean issue. But while it may be true that the Kampuchean issue has helped to promote ASEAN unity and solidarity, ASEAN's common stand seems to have been successful primarily in helping to keep the issue alive at the international level, continuing to maintain international attention to it as an international issue, admittedly no mean achievement in itself, the very same ASEAN common stand has at the same time brought to surface differences among its member states in their basic strategic outlooks. Worse still, ASEAN's common position has not seemed to bring us much closer to a solution of the Kampuchean problem. Factors external to ASEAN seem instead to have been more actively at play.

In the meantime, ASEAN seems to have lacked in co-ordination, despite perhaps consultations, let alone common policy, regarding relations with external, especially major powers, not only in the political but also in the economic field. In fact, even in ASEAN's dialogue with its Pacific partners, especially on economic matters, each member state would tend to speak more of its own national interests than those of ASEAN collectively. One would notice a lack of common approach to the PRC, to the problem of US military presence in the Asia-Pacific region, particularly as regards the US bases in the Philippines, a lack of co-ordination, not to speak of common attitude, regarding Soviet initiatives in the Asia-Pacific region, and thus regarding Sino-Soviet rapprochement and its possible impact upon and implications particularly for Southeast Asia. Even on the Kampuchean issue, on which ASEAN has adopted a common stand, there are now indications of greater emphasis on bilateral approach.

Indeed, bilateral approach, perhaps even without consultations, let alone co-ordination and common policy, seems to have become the rule of the game in relation to the great powers, particularly Japan and the USA, whose economies have brought changes of major significance and created uncertainties in the global economic environment. The ASEAN states' export-oriented policy of their national developments and industrialisation, their policy of diversification

of production and trade, and their heavy reliance on external markets, especially USA and Japan, have combined to encourage them to resort to bilateral approach in their economic relations with these major powers and in their efforts to benefit from the success of the Japanese economy in a number of respects.

In the light of such trends and developments among ASEAN member states, one would rightly raise the question as to the continued relevance of ASEAN regional co-operation and as to the need for more intensive bilateral relations with a possible consequence of greater and closer alliance with external powers. Indeed, the Manila Summit reflected a renewal of commitment to ASEAN regional co-operation particularly in the adoption of a 5-year programme to widen the coverage of ASEAN preferential trading arrangement and to deepen its margin of preferences and the agreement on ASEAN industrial joint ventures. But some basic issues that would be relevant to the commitment to strengthening ASEAN co-operation have remained untouched. This is true especially with respect to ASEAN machinery. ASEAN remains the business of its foreign ministers. The ASEAN secretariat remains weak. No review seems to have been made of ASEAN's dialogue with its Asia-Pacific partners, not only as regards the nature of the forum but also the possibility of including such other countries as South Korea and the PRC which have grown in importance as ASEAN's trading partners.

On the positive side, however, it may be argued that ASEAN has achieved quite a success, in that it has helped ensure peace and stability in the region. To be sure, achievement in this field is mostly intangible so that it tends to be taken for granted. ASEAN having been established against the background of intra-regional and domestic conflicts that had invited external intervention by major powers, its establishment has helped contain, and prevent any more open conflicts that would have subjected the region to further external interference. This is an achievement in the security field, which has in turn helped create a favourable climate for economic activities, even if such activities are not always undertaken within the framework of ASEAN.

Without ASEAN, which ensures good neighbourly relations among its member states, some states in the region would have continued to perceive not only sources of threat to their security external to the region, but also from their bigger neighbours such as Indonesia, and this would have encouraged them to rely more on external major powers for their security. There would also have been reallocation of larger budgets to defence and security purposes, which would have done damage to their development efforts.

In the light of future relations among the big powers, which would continue to be characterised by rivalry despite detente, ASEAN regional co-operation could not be more relevant. Within and through ASEAN, the member states should continue to put their own houses in order by preventing and containing domestic and regional conflicts so as to avoid external interference. Especially in the face of possible conflicts that might arise in the South China Sea,* the principle of peaceful settlement and consultations should be further promoted with a

*Editor's note: See, among others A.R. Sutopo, "Tensions in the Spratley Islands" in *Indonesian Quarterly*, Vol. XVI, No. 3 (July 1988), pp. 273-276.

view not only to avoiding conflicts among ASEAN member states themselves, some of which are involved in the problems of the South China Sea, but also to avoiding the involvement and intervention of other external major powers, now that the PRC is a direct party to the conflict in the area. After all, external interference, encouraged by domestic as well as regional or intra-state conflicts, has been a major preoccupation of ASEAN, against which the very association was estalished. The ASEAN proposal for ZOPFAN, which is manifestation of ASEAN's preoccupation with external interference and a full expression of ASEAN's ideals, would also continue to be relevant, especially now that the big powers are entering a new era of detente, so that their approval of the idea may be more forthcoming than at any other time.

Indeed, under the umbrella of peace and stability of Southeast Asia, to which ASEAN has certainly made considerable contribution thanks to its security background and orientedness, co-operation in other fields, especially economic, may continue to be promoted so as to make ASEAN more and more viable. But apart from the need for such a security umbrella, without which economic activities, even on bilateral basis, would not be ensured, certain trends in the global economy should also serve to encourage the promotion of intra-ASEAN economic co-operation. The Free Trade Agreement between the USA and Canada and closer economic co-operation between Australia and New Zealand, perhaps reflecting a trend towards the creation of economic blocs, are such a trend. Otherwise ASEAN would run against the mainstream, especially now that it has often been treated seriously as an economic group.

Indeed, all in all, ASEAN has been an imperative or an important variable in the foreign policy of each of its member states. Any disengagement from this foreign policy practice that has been developed for over two decades since the establishment of ASEAN, may somehow result in the destabilisation of the region. This may force at least some of its member states to seek alliance with external major powers. If that should be the case, the clock in Southeast Asia would be set back a number of decades. Thus despite what has been said at the opening of this commentary, the choice seems clear for ASEAN's strategy to face the challenges of the next decade and beyond.

The Third ASEAN Summit and Beyond

C.P.F. LUHULIMA

The Problem

THE FIRST MEETING of the ASEAN heads of government which was held in Bali in February 1976 established two important foundations which had since guided intra-ASEAN co-operation: the framework for ASEAN co-operation and the code of conduct for inter-state relations. They were codified in the *Declaration of ASEAN Concord* and the *Treaty of Amity and Co-operation in Southeast Asia*. The latter one was also intended as a basis for accommodation with the three communist Indochinese states and as a strategic response to the security dynamics of the Indochina-ASEAN region.

The Kuala Lumpur Summit which followed eighteen months later revalidated the mandates and reviewed the progress of the implementation of the Bali programme of action and the Treaty. It provided, however, little additional impetus to ASEAN co-operation. As one study on ASEAN observed, the "final communique of the second summit was lengthy in words but relatively short in substance. No new ground was broken on regional development as a whole or on zonal neutrality. Also, in economic co-operation, the heads of government called attention to accomplishments already reached ... References to co-operation in the social, cultural, and information fields in the communique were very nebulous." What the Kuala Lumpur Summit was successful in was the development of its external relations which officially started after the Summit.[1]

After the Kuala Lumpur meeting a great number of political, economic, technological and security developments took place which

[1]Russell H. Fifield, *National and Regional Interests in ASEAN: Competition and Co-operation in International Politics* (ISEAS, Occasional Paper No. 59, 1979), pp. 18-19. See also Chin Kin Wah, "The Question of a Third Summit: Pros and Cons, Approaches and Recommendations," paper presented at the *Conference on Regional Development and Security: The Ties That Bind* (12-16 January, 1986, Kuala Lumpur), pp. 8.

had their impact on ASEAN. They accentuated ASEAN's concern with peace and stability in the region and severely hampered the progress of the ASEAN economies. It was in the light of these developments that ASEAN felt it necessary to review the major foundations of its co-operation and its machinery to enable it to effectively grapple with the various challenges posed by the Kampuchean problem, the economic downturn and the technological substitution of various traditional commodities. It was with a view to a renewed political commitment of the member countries to ASEAN, the review of ASEAN co-operation and assessments of its success and failures, the submission of novel initiatives and proposals and the redesignation of political, economic, social and cultural co-operation to further deepen ASEAN collaboration towards a more resilient ASEAN that the Third ASEAN Summit was felt to be a *sine qua non*.

The Kampuchean problem that has plagued ASEAN since Christmas 1978 was widely perceived as the major impediment to the realisation of the Zone of Peace, Freedom and Neutrality, including its Southeast Asia Nuclear Weapon Free Zone component, since it had primarily drawn the Soviet Union and the People's Republic of China into the strategic equation in the region, while leaving the United States to tail ASEAN. The interplay of the political and strategic interests of the big powers in the Asia-Pacific region, the People's Republic of China, the Soviet Union, the United States of America and Japan, had a major impact on the strategic environment of Southeast Asia, although that impelling effect is of a balanced character since no power can be singled out as being dominant in the region. The issue of the US bases or military facilities in the Philippines, although primarily a Philippine problem, had widely involved other ASEAN members who had directly or indirectly indicated that they preferred the bases to stay as a visible security guarantee, thus pushing ZOPFAN further into the future, as the ultimate political goal. Mr. Gorbachev's Vladivostok speech of July 1986 and the proclamation of *glasnost* and *perestroika* were additional political variables to be included into ASEAN's review of the framework of political co-operation.

Significant changes in the international economic environment were reflected in equally significant changes in the ASEAN economies both in terms of magnitude and structure. The economies of the ASEAN member countries have expanded tremendously since the Bali Summit. Their GDP structures had been shifting away from agriculture towards manufacturing and to some extend towards services as well, although at different degrees ranging from the Philippines and Singapore at the top of the list to Indonesia at the lower end. Hence ASEAN countries have become augmentably contingent upon external markets for their new export products. However, significant changes in the global economic surroundings had seriously eroded the global trading environment as well. Developed countries had, in the wake of weakening growth performances, increasingly resorted to protectionist policies, thus creating additional problems for ASEAN and other developing countries.

Equally significant changes in ASEAN's immediate neighbourhood had opened up a whole variety of challenges and opportunities which needed serious consideration. China's four programmes of modernisation;

the remarkably economic successes of the newly industrialising economies (NIEs) in East and Southeast Asia; Japan's rise as the most important supplier of capital; the increased involvement of the Soviet Union and other Eastern European countries in the global economy and the perceived emergence of the Asia-Pacific region as the "region of the future," all these developments challenged ASEAN co-operation fundamentally. Thus Singapore's Prime Minister Lee's opening address at the 1987 foreign ministers' meeting emphasised that new paths to growth would be required as a consequence of the fundamental changes in the international system.

Similar changes have also occurred in the global monetary and financial environment with their concomittant effects on the ASEAN countries. Exchange rate fluctuations, unprecedentedly low commodity prices, trade and payment imbalances, increasing protectionism and the prevailing international debt problems had forced a considerable degree of adjustments in the ASEAN economies. And the appreciation of the major currencies had augmented the debt servicing burden of the ASEAN member countries.

Thus ASEAN would have to effectuate the utilisation of regional resources, incrementally increase its self-reliance and hence market-sharing by way of stepping up collaboration in the development of their industries. Effective market opening measures had become more urgent as the deficiency of political commitment to such measures was bound to perpetuate the lack of complementarity among the ASEAN economies.

The significant and major political and economic developments had led to the necessity of rearranging the magnitude and structure of the social and cultural dimensions of ASEAN co-operation. The dimensions of regional collaboration should be singularly focussed on the achievement of a greater understanding of ASEAN ideals, of a greater sense of awareness and belonging and of a stronger sense of regional identity for ASEAN to further bolster political and economic co-operation.

The changes had also led up to the necessity of rearranging the ASEAN machinery. The present "two-headed monster" with the foreign and economic ministers each making their own autonomous decisions on how ASEAN is to proceed should be integrated into one comprehensive decision-making mechanism and set of procedures to backup political and economic progress in ASEAN.

The Summit

The Manila Summit itself evaluated ASEAN progress as a great achievement in regionalism. The Association of Southeast Asian Nations "has grown into a viable and dynamic organisation fosterig the spirit of regional co-operation and solidarity and strengthening national and regional resilience." The ASEAN heads of government further noted "that ASEAN has also developed a distinct identity and has become an effective vehicle for joint approaches to regional and international issues." They also made special mention of "regular consultations" among officials and members of non-governmental organisations which "have forged closer relations among the member states and thus promoted peace, stability and

prosperity in the region."[2] They lauded the fact that ASEAN had been successful "in creating a political environment conducive to the development of its members" and were convinced that "economic development and progress are fundamental to the stability and security of the region."[3]

These statements are supported by an authoritative view from the private sector: "The measure of the success of ASEAN is perhaps found in the intangible goodwill that prevails and the spirit of accommodation that is practised among the ASEAN leaders and peoples." It was in the 1970s that "ASEAN achieved its recognised stature in the world of geopolitics and eco-politics." ASEAN is respected for the "peaceful manner in resolving conflicts" and for the consistent friendly relationships with all nations." He concluded this section by saying: "We are proud of this record." It is in economic co-operation that ASEAN has not been successful. ASEAN's record of economic co-operation is one of "protracted negotiations, exasperation and frustration." The major cause for this shortcoming is "economic nationalism." It still is "an obstructionist wall" to closer co-operation between ASEAN member nations. This is the major reason why ASEAN priorities are "subsidiary to all national priorities." It is the "political reality" of ASEAN economic regionalism. However, "it should not hamper our collective regional efforts: We must muster our strength to overcome this."[4]

The *Declaration* itself starts with emphasising nine major areas of compelling interest. Security, stability and growth in ASEAN remain very important in ASEAN co-operative endeavours and should be ensured by further strengthening national and regional resilience. This is a reiteration of the principle first expressed in the *ASEAN Concord,* where each nation should eliminate threats posed by subversion to its stability on the basis of its own resilience and collectively on ASEAN regional resilience. Next, ASEAN regionalism has become the vital interest of ASEAN member countries and should thus be pursued in any circumstance, particularly when threatened from within or from outside the region. Hence intra-ASEAN disputes should continue to be settled by peaceful means in the spirit of the *Treaty of Amity and Co-operation* and the *United Nations Charter,* while external threats to the security of the member states should be met on a non-ASEAN basis security co-operation among the members. Economic co-operation which is fundamental to the region's stability and security should be further strengthened to optimise the exploitation of the "region's potential in trade and development and to increase ASEAN's efficacy in combatting protectionism and countering its effects." Hence the private sector should be invited to play an increasing role in ASEAN economic co-operation. Finally, ASEAN's functional co-operation should step up awareness of ASEAN, widen involvement of the peoples of ASEAN in regional co-operation and expand human

[2]Joint Press Statement, Meeting of the ASEAN Heads of Government, Manila, 14-15 December 1987, *ASEAN Documentation Series 1967-1988, Third Edition* (Jakarta: ASEAN Secretariat), para 6, p. 61. ASEAN documents quoted here are taken from this *Documentation Series.*

[3]Manila Declaration of 1987, Manila, 15 December 1987, p. 47.

[4]Dato' Paul Leong Khee Seong, "ASEAN: Choosing Our Destiny," in Noordin Sopiee et.al. (eds.), *ASEAN at the Crossroads* (Kuala Lumpur: ISIS, 1987), p. 6.

resources development to bolster political and economic co-operation.

Political Co-operation

In the area of political co-operation, ASEAN's commitment to ZOPFAN as the ultimate goal for a peaceful and stable Southeast Asia should be augmented, again "in consultation with states outside ASEAN."[5] As one head of government stated in his opening address to the Manila Summit: "We recognise the roles of the major powers, their legitimate interests and their positive contributions in the region. The legitimate interests and positive contributions of the major powers could be enhanced if Southeast Asia remained free from intraregional conflict and major power rivalry."[6] One could perhaps say that it meant that the Zone of Peace, Freedom and Neutrality is on hold until the Cambodian conflict is resolved.

The issue of a nuclear weapons free policy and the establishment of an effective nuclear weapons free zone in Southeast Asia remain the important measure for advancing the realisation of ZOPFAN. However, in establishing such a zone -- the ASEAN foreign ministers agreed in their report to the Heads of Governments -- ASEAN should consider very carefully all the implications, in particular the timing of its establishment. It should also take into account that the establishment of such a zone would not adversely affect ASEAN's overall relations with the major powers. The legitimate interests of all states in Southeast Asia as well as those outside the region, particularly the nuclear powers, and their acceptance of such a zone, should be ascertained.

This part of the report of the foreign ministers is an admission of the considerable differences of opinion on the early establishment of the NWFZ. The idea of a nuclear-weapons free Southeast Asia as an integral part of ZOPFAN was first raised by Indonesia. At the Jakarta ministerial meeting (AMM) in July 1984, the foreign ministers endorsed the recommendations of the Working Group on ZOPFAN, which was chaired by Indonesia, "including studies on various aspects and elements of ZOPFAN such as Nuclear Weapons Free Zone" as well as to implement the recommendations of the ASEAN Task Force on ZOPFAN. The Indonesian proposal was supported by Malaysia's then foreign minister, Tunku Achmad Rithaudeen, in September 1984 who spoke of a nuclear weapons free zone as "one of the attributes or prerequisites of a Zone of Peace, Freedom and Neutrality in Southeast Asia."[7] The issue was kept on the agenda of the 1986 and 1987 AMM by both Indonesia and Malaysia. At the Manila Summit Soeharto and Mahathir again empha-

[5]Manila Declaration, "Political Co-operation," para 4, p. 48.

[6]Opening Statement by the Honourable Dato Seri Dr. Mahathir Mohamad, Prime Minister of Malaysia at the Meeting of the ASEAN Heads of Government, Manila, 14 December 1987, *Meeting of the ASEAN Heads of Government,* Manila, 14-15 December 1987 and *Meeting of the ASEAN Heads of Government and the Prime Minister of Japan,* Manila, 15 December 1987 (Jakarta: ASEAN Secretariat), p. 17. All opening speeches of the ASEAN Heads of States are taken from this document.

[7]Opening Statement by Indonesia's former Minister of Foreign Affairs, Prof. Mochtar Kusumaatmadja at the Seminar on Southeast Asia as a Zone of Peace, Freedom and Neutrality/Nuclear-Weapons-Free Zone, Jakarta, 14-15 January, 1985; Michael Vatikiotis, "Zone of Discord," *Far Eastern Economic Review,* 14 January 1988, p. 12.

sised the issue in their opening speeches to the conference. Despite the commitment that "ASEAN shall intensify its efforts towards the early establishment of a Southeast Asia Nuclear Weapons Free Zone (SEANWFZ), including the continuation of the consideration of all aspects relating to the establishment of the Zone and of an appropriate instrument to establish the Zone," Singapore and Thailand remain concerned about its possible negative impact on the deterrent capability of the United States, who have also linked continued market access to the issue.[8] It is therefore no surprise that Prime Ministers Lee Kuan Yew and Prem Tinsulanonda have carefully avoided mention of the NWFZ in their opening speeches to the Summit. At the Manila Meeting Lee Kuan Yew warned that a nuclear weapons free zone would mean that United States forces would be absent from the region.

The day the Summit ended, a United States State Department spokeswoman in Washington said: "We believe a nuclear weapons free zone in Southeast Asia would tend to undermine the policy of deterrence which has served us all well."[9] However, to Indonesia the above paragraph in the *Manila Declaration* is utterly "significant."[10] Soeharto pointed out in Manila that the establishment of the NWFZ "will be an important contribution to peace and security" in the region, "even though the Kampuchean issue has not been resolved."[11] Both Soeharto and Mochtar have spoken of the NWFZ as a logical extension of superpower rapproachement in the Southeast Asian region following the signing of the intermediate-range nuclear forces (INF) treaty in Washington a week prior to the ASEAN summit.

These statements should not, however, be taken to mean that Indonesia's position *vis-à-vis* the NWFZ is a unified one. Although Indonesia formally adheres to its "independent and active" foreign policy, there are those in the foreign policy establishment who for reasons of strategic considerations, external economic and financial assistance and market access do not wish to see the US security interests in the region imperilled.

The Kampuchean problem is still perceived as the major constraint to the realisation of the aim and purpose of ASEAN to promote regional peace and stability. Prime Minister Mahathir spoke of "Efforts to find a solution to the Kampuchean problem should not only aim at total Vietnamese withdrawal and the restoration of the independent status of Kampuchea," but more so at "ending once and for all the rivalry between the major powers in the region."[12] The last part of the statement is in essence the basic foreign policy objective of both Malaysia and Indonesia. At the Summit itself ASEAN Heads of Government agreed that it shall continually strive for "a durable comprehensive political solution to the Kampuchean problem." Far from condemning Vietnam, it urged that "positive steps by Vietnam in response to ASEAN's efforts

[8]Donald Crone, "The ASEAN Summit of 1987: Searching for New Dynamism," in *Southeast Asian Affairs 1988* (Singapore: ISEAS, 1988), p. 45.

[9]Vatikiotis, "Zone of Discord," p. 12.

[10]*Ibid.*

[11]Opening Statement by H.E. General Soeharto, President of the Republic of Indonesia at the Meeting of the ASEAN Heads of Government, Manila, 14 December 1987, p. 13.

[12]p. 17.

would contribute to such a solution,"[13] "to engage in serious discussions on a just and enduring solution to the Kampuchean problem, including the total withdrawal of Vietnam forces from Kampuchea" thus allowing the Kampucheans "to exercise the right to self-determination and Kampuchea to become a neutral, independent and non-aligned nation posing no threat to its neighbours."[14] Efforts to solve the Kampuchean issue after the Summit were given new life by the Jakarta Informal Meeting (JIM). However, very little of substance was achieved. Its real measure of success was that it established a forum for the warring Cambodian factions to meet and talk and make progress on a long haul to peace. It also established a first forum for the Southeast countries to collectively endeavour to resolve a conflict in their own area. In the end JIM gave birth to a new configuration of factions. Son Sann's Khmer People's National Liberation Front (KPNLF), Prince Norodom Sihanouk's loyalists (FUNCINPEC) and the Khmer Rouge, formerly united in the resistance coalition against the Vietnamese-backed Heng Samrin regime underwent a fundamental change. This change in allegiance was strengthened by Sihanouk's effort to "divorce" Khmer Rouge, by "uniting the three other forces" to prevent the Khmer Rouge from returning to power. It was Hun Sen more than anyone else -- except for Nguyen Co Thach -- who emerged from the talks with his credibility greatly enhanced, particularly since Indonesian foreign minister Ali Alatas at the press conference expressed the joint concern to ensure the "non-return of the genocidal Pol Pot regime." This realignment was first initiated at the Sihanouk-Hun Sen "mini-cocktail" conferences[15] which were held at Fere-en-Tardenois and St. Germain-en-Lave, both near Paris, in December 1987 and January 1988. Later efforts to include the Khmer Rouge, next to Son Sann, in the Paris talks were not successful. Neither did the Khmer Rouge turn up at the mid-October Jakarta working group meeting.

Meanwhile at the UN General Assembly in New York, ASEAN made a drastic revision of its resolution on Kampuchea while recognising the Bogor Meeting as a "significant development" and a "psychological breakthrough." A dramatic change resulted from the "international groundswell of revulsion" at the prospect of a return of the genocidal Pol Pot regime or its Khmer Rouge heirs. Without mentioning any one group, the draft provides in unmistakable terms for the "non-return to the universally condemned policies and practices of a recent past."[16] The demand for the withdrawal of the Vietnamese forces from Kampuchea remain vital. Meanwhile, intra-Kampuchean relations remain fluid with new configurations occurring incessantly since the Jakarta working group meeting.

The ASEAN solution to the Kampuchean issue is thus still a long way off. The second ministerial-level meeting within the JIM framework will most probably be held in February 1989. Indonesia's homework will be to urge the Khmer Rouge to rejoin the second JIM while inducing the USSR, China and the United States to play a greater role in

[13]Manila Declaration, "Political Co-operation," para 2.

[14]Joint Press Statement, para 12.

[15]Justus van der Kroef, "Cambodia: The Vagaries of 'Cocktail' Diplomacy," in *Contemporary Southeast Asia*, Vol. 9, No. 4 (March 1988), p. 317.

[16]Ted Morello, "Neutralising Pol Pot's Heirs," *FEER*, 29 September 1988, p. 30.

the search for a comprehensive solution. If these efforts fail, the negotiating process might again slide away from the familiar ground of the region. The Sino-Soviet talks in Beijing (August 27-September 2 1988) focussed among others on Kampuchea. China's role as the Khmer Rouge's principal supporter and the Soviet Union as the backer of the Vietnamese occupation of Cambodia and which maintains Heng Samrin's regime in power, make their involvement in any settlement indispensible. At the end of the meeting it was reported that the Chinese had urged a complete and unconditional Vietnamese withdrawal under international supervision within nine months, whereas the Soviet Union had asked China to guarantee the non-return of the Pol Pot regime. Chinese Communist Party General Secretary Zhao Ziyang spoke of not allowing the Khmer Rouge "to assume exclusive power and the Heng Samrin regime, a fait accompli created by Vietnamese agression, must not be allowed to continue in power." He thought that both "dangers should be removed."[17] The Moskou Meeting between Chinese foreign ministry Qian Qichen and Soviet foreign minister Shevarnadze in early December agreed on the establishment of a working group on Kampuchea. The next Sino-Soviet talks in early 1989 will further deliberate on the solution to the Kampuchean issue.

Economic Co-operation

The acceleration of ASEAN economic co-operation and of economic growth of ASEAN member countries remains a basic element in sustaining progress, security and prosperity in the region. It is within this context that existing intra-ASEAN economic co-operation, especially in the fields of industry and trade should be stepped up and provided with new directives; that co-operation with ASEAN's dialogue partners should be enhanced to better serve ASEAN's interests and that ASEAN's joint approaches to international economic issues affecting the region in the various international fora should be further sustained, particularly since intra-ASEAN economic co-operation has not progressed satisfactorily over the past 20 years.

However, as was the case in earlier summits, ASEAN had carefully avoided formulating a "grand design" in intra-ASEAN economic co-operation as well as extra-ASEAN economic relations. The new directives issued by the Summit were designed to improve upon, as far as possible, the competitiveness of ASEAN products in the external markets. The specialisation among the ASEAN countries which will improve the following intra-ASEAN economic liberalisation will certainly step up their competitiveness.

In the area of trade, intra-ASEAN co-operation is a *sine-qua-non* to attract foreign investments. ASEAN should further work towards the significant expansion of intra-ASEAN trade in order that by the year 2000 a substantial number and value of the traded items are covered by the Preferential Trading Arrangement (PTA). The Heads of Government have agreed upon a "progressive reduction of the number of items in the member-countries exclusion lists and the deepening of the margin of preference for items currently in the PTA."[18] The reduc-

[17]Robert Delfs, "Passing the Test," *FEER*, 3 November 1988, p. 36.

[18]Manila Declaration, "Economic Co-operation," para 7.

tion of the exclusion lists of the individual member countries, i.e. the list containing the goods which are excluded from tariff cuts, should mean that in a period of five years (1988-1992), a maximum of 10 per cent or less of the number of traded items should have been achieved as well as a greater harmonisation of the exclusion lists. Items remaining in the exclusion lists should account for 50 per cent or less of intra-ASEAN trade value. Furthermore, the margin of preference (MOP) on existing items should be deepened to 50 per cent "on the basis of either an across-the-board concession of 5 percentage points annually or on a product-by-product concession totalling 50 per cent at the end of five years or a combination thereof," and 25 per cent for new items in the PTA, while the ASEAN content requirement in the Rules of Origin should be reduced to 35 per cent "on a case-by-case basis, subject to review after five years."[19] With respect to Indonesia, it is agreed that the ASEAN content requirement is to be reduced from 60 per cent to 42 per cent. Finally, ASEAN should implement immediate *standstill* and negotiate *roll-back* of non-tariff barriers (NTBs), without which ASEAN's PTA would only be of marginal importance, although Indonesia and the Philippines might require seven years to implement the scheme.

In the area of industrial co-operation, ASEAN is to pursue a long-term goal of accelerating sound industrial development. Its objective is to significantly increase the flow of investments in the region to at least 10 per cent by the year 2000 and to increase manufacturing value-added at an annual rate of 8 per cent. In pursuit of these goals the Heads of Government agreed to recommend improvements to the ASEAN Industrial Joint Ventures (AIJVs) by liberalising the non-ASEAN equity from 49 per cent to 60 per cent up to December 31 1990; deepening MOP from a minimum of 75 per cent to 90 per cent and by setting up AIJVs through "a pre-approved list of AIJV products."[20]

These agreements are sufficiently substantial but they are improvements upon existing policies rather than breakthroughs. The Bali Summit decisions remain the basic framework of ASEAN economic co-operation. Nevertheless, it will be erroneous to expect ASEAN to be capable of executing the policy directives of the Manila Summit simultaneously although they are further deliberations of the *Bali Concord*. A number of ASEAN economic problems can only be resolved in multilateral talks such as GATT. The major problem in ASEAN's incapability of executing policy directives, however, is the disparity between the agreements and their executions which have plagued the Association ever since the *Bangkok Declaration* of 1967. It was not just the insufficient political will at various levels of ASEAN co-operation. Technical difficulties were equally impeding. More so, however, were the incompatabilities in national and regional policies. Regional economic policies seldom or perhaps do not at all feature in national development programmes giving the aura of irrealism. One study on ASEAN economic co-operation observed that "perhaps one of the most important obstacles to the liberalisation of intra-ASEAN trade in the first ten years following the Bali Summit was the priority accorded to import substitution industries."[21] Hence the

[19]Joint Press Statement, para 23.

[20]*Ibid.*, para 30.

[21]Djisman S. Simandjuntak, "Kerjasama Ekonomi

ASEAN PTA was an extrinsic factor in the industrialisation strategies of the member countries which relied heavily on the debilitation or perhaps termination of competition from imports. It goes without saying that in such an environment the ASEAN PTA could not have been practicable. It resulted in the member countries placing greater emphasis on exclusion lists rather than inclusion lists.

In the second half of the 1980s a change occurred in the industrialisation strategies of the ASEAN countries. Exports featured very strongly in the new policies. However, ASEAN's dependence on machinery, spare parts and raw materials affected its exports of industrial products. Hence, bolstering exports simultaneously required the reduction or, more importantly, the abolishment of unnecessary import duties. This meant that a conformity "in the policy agendas of each member state with the improvement of the ASEAN PTA" began to unfold. The probability of improvement would, however, be augmented if a number of pressure groups emerged which urged the consistent execution of the new policies, particularly in the private sector, such as the ASEAN Chambers of Commerce and Industry and its many industrial clubs.[22]

Another problem is at the policy level, which is the deficiency of policy co-ordination, such as disagreement on economic outlooks, economic objectives, on means-ends relationships, and, in particular, disagreement on the distribution of gains from co-operation all of which have so far hampered ASEAN deliberations on PTA, AIJVs and other such regional co-operation schemes. The co-ordination of policies apparently only exists "where there is a case for national policies."[23]

As regards the relationship with the dialogue and other countries the Heads of Government spoke of the achievement of sustained and more intensified relations with ASEAN's dialogue partners: Australia, Canada, the European Community, Japan, New Zealand and the United States as well as the United Nations Development Programme (UNDP). They emphasised that co-operation with the dialogue partners should be narrowed down to areas of special interest to ASEAN, such as market access, trade and tourism promotion, investments, flow of resources, industrial development, transfer of technology, human resources development and support for ASEAN positions in international fora, such as GATT and the United Nations Conference on Trade and Development (UNCTAD). For ASEAN, at the present time and in the future, Japan, the United States and the European Community are the major dialogue partners in the area of economic and trade co-operation. ASEAN should continue to undertake concerted efforts to overcome the growing problems of worsening protectionism, depressed commodity markets, diminished flow of financial resources to developing countries and mounting debt burdens. The Association should urge that issues of special concern to developing countries in general and ASEAN in particular, such as agricultural subsidies, commodity prices and debt burden, be resolved speedily.

ASEAN Sesudah KTT Bali dan Manila," in *Analisa,* Vol. XVI, No. 10 (October 1987), p. 902.

[22]*Ibid.*, p. 903.

[23]Dorodjatun Kuntjoro-Jakti, "Pacific Economic Co-operation: What is in It for ASEAN?", paper presented at the *Second Indonesia-Singapore Conference,* Singapore, 10-11 November 1988, p. 11.

Development co-operation with the dialogue partners has another set of priorities which are trade, tourism and investment promotion, science and technology, transportation, institutional linkages, and human resources development. The Heads of Government also decided on the priorities of development co-operation for the private sector: trade, tourism and investment promotion, trade fairs, and business council activities.[24] The two new areas of co-operation are tourism and human resources development. The first is now seen as a major partner of foreign exchange, while human resources development as the major component of industrialisation. These areas of co-operation are not unchangeable, they should be reviewed every three years, at the alphabetical rotation of the dialogue co-ordinators.

Priority settings have, however, always been a problem in ASEAN. Apart from being subsidiary to national priorities, regional priorities are part of the North-South dialogue, in GATT and UNCTAD and tend to be too exacting. ASEAN apparently still needs considerable time to realise and learn that its interests and, therefore, its priorities are dissimilar to those of the United States, Japan and the European Communities as was evident at the latest GATT meeting in Montreal in early December 1988.

Probably the most immediate reward of the Manila Summit was the promise of the Japanese Prime Minister, Noburu Takeshita, to extend financial co-operation of US$2 billion over three years, for the promotion of the private sector development of the ASEAN member countries and regional co-operation.

[24]Joint Press Statement, para 56-58.

Functional Co-operation

ASEAN functional co-operation, which at the Bali Summit were categorised as social and cultural co-operation with clear-cut terms of references, was re-designed at the Manila Summit to achieve greater understanding of the ASEAN ideals and to complement and strengthen the political and economic aspirations of the ASEAN peoples. Hence, the activities and programmes of the ASEAN functional committees, the Committee on Social Development (COSD), the Committee on Culture and Information (COCI) and the Committee of Science and Technology (COST) should be reformulated and co-ordinated on the basis of a conceptual framework to instill a greater sense of awareness and belonging to ASEAN, and of a regional identity. ASEAN information, educational, cultural, social and science and technology development programmes should be geared towards inculcating in the people the socio-economic values and heritage, greater understanding of the history, geography, natural environment, socio-economic value systems and other such elements.[25] Specific proposals on ASEAN studies programmes, the strengthening of linkages among ASEAN institutions of higher learning and the mass media could considerably step up the awareness of ASEAN, particularly the role ASEAN has played in creating the foundation of peace and stability in the region.

Wider involvement and increased participation and co-operation by the people of ASEAN should also become part of the programmes of functional co-operation. Consideration should particularly be given to the interaction of various factors, especially the

[25]*Ibid.*, para 46.

interrelationship among the population, the natural environment and the social and economic development of the region. Intra-ASEAN co-operation in science and technology should promote agriculture, industry and services in the region by way of utilising indigenous natural resources, to improve upon the environment to serve the peoples basic needs. Hence it is necessary that the people would not only have to be actively participating in ASEAN activities, but also become the direct beneficiaries of all ASEAN programmes. In the process ASEAN should also develop the potentials of both women and youth, harness their potentials and capabilities and ensure their maximum involvement in the region's development. As another Head of State said in his opening address: "Children at school should be taught to understand ASEAN and what it is striving to do. The exchange of students and youths at colleges and universities and in voluntary organisations within ASEAN should be organised. Through their experience of working side by side, our youths can at an early stage begin to build the foundation of neighbourly relations based on friendship and mutual trust and confidence. In this way commitment to ASEAN will be renewed and passed on to future generations, thus ensuring continued stability in our region."[26] ASEAN should further intensify co-operation in women's programmes to foster eradication of existing inequalities and discriminations; improving their capabilities to play their "rightful role" in all fields of national endeavour. These two main components of ASEAN's population, which are of particular interest to Indonesia and Brunei Darussalam, should be made to readily participate in and contribute to ASEAN projects in which they are both activists and beneficiaries.

The problem of population growth should also be addressed seriously to enhance social progress and justice. The success of development programmes will depend on the synergistic interaction between the population factor and social and economic developments at all social levels.

The problem of drug abuse was also touched upon at the Summit. It was brought up by Malaysia: "Drug abuse and illicit trafficking is recognised ... as a menace which needs the concerted efforts of the international community to eradicate."[27] There is a continuing need to "strengthen drug control policies to reduce the supply and demand of drugs and upgrade training and research capabilities in the prevention and treatment of drug abuse and in the enforcement of laws."

ASEAN functional co-operation should also aim at achieving sustainable development which seeks continuous improvement in the level of income, the quality of life and the environment. Intra-ASEAN co-operation in biotechnology, material science and microelectronics should further be bolstered to promote the utilisation of natural resources for industrialisation and to improve the quality of life in the region.

Finally, human resources development (HRD) for promoting socio-economic development is seen as a major component of ASEAN's future growth. ASEAN should, it is stated, emphasise the development of "an intelligent and highly productive work force

[26]Opening Statement by His Majesty Sultan Haji Hassanal Bolkiah, Sultan and Yang-Dipertuan Brunei Darussalam at the Meeting of the ASEAN Heads of Government, Manila, 14 December 1987, p. 10.

[27]Mahathir, *Meeting of the ASEAN Heads*, p. 17.

by stepping up investment in science and technology and by providing training to facilitate effective transfers of technology,"[28] as well as by developing ASEAN's creativity in science and technology innovations.[29] HRD was highlighted as the most important component in ASEAN's future development. However, ASEAN's leaders have linked up the development of HRD to science and technology which would determine the dynamics of ASEAN in the future. Science and technology progress should go hand in hand with the growth in professional manpower, by bolstering R & D, by developing scientific and technical manpower and R & D managers. Investment in science and technology is expected to develop the skills and capabilities on every level of the work force, from managers to common workers and the private sector should equally be involved.

On the basis of these considerations, ASEAN designed programmes of action in HRD with the objective of strengthening R & D institutions and those of higher learning to develop "an intelligent work force"; bolster the development of "sunrise industries" by way of special training programmes and foster co-operation in technology transfer, information technology and in public administration.

The decisions of the Manila Summit in the area of functional co-operation do not present breakthroughs. The fundamentals of functional co-operation are listed in detail in the *ASEAN Concord* of 1976, the *Manila Declaration* legalised the programmes which have been agreed then. In other words, it is a further elaboration of the *Bali Concord*. This is not only limited to the area of functional co-operation; it also holds true for political and economic co-operation. Nevertheless, the Manila Declaration does contain some new areas of co-operation. First is the imperative to co-ordinate three activities, i.e. population growth, environmental management and development. They are closely interlinked, particularly the efforts to sustain the environment in the face of the high rate of growth of the population and increased development activities. Second is the strong emphasis placed upon science and technology itself which was not included in the *Bali Concord* and as a basis to develop a professional work force. The acknowledgement that science and technology is a very important component in the development process and that the linkage between science and technology and human resources is of utmost importance overlooked one very significant factor. High technology projects require considerable funding, and the scientific infrastructure is very expensive. Such is also the case with the development of scientific and technical manpower. The cost factor had always been a major constraint to develop major scientific and technological activities. But perhaps a bigger constraint is that the ASEAN programmes and projects in science and technology as well as other social and cultural projects do not appear as variables in national development plans of ASEAN member countries. The ASEAN studies that should have been promoted in a systematic way by introducing them in the schools' curricula have not been conducted. As a consequence the Manila Summit reiterated the message to instill a strong consciousness of ASEAN. These are perhaps the reasons why the awareness of ASEAN and the participation of the people at large in the

[28]Manila Declaration, "Functional Co-operation," para 21.

[29]Joint Press Statement, para 54.

development of the awareness of ASEAN have so far not been successful. ASEAN functional activities are in most cases a peripheral rather than a substantive activity on a national scale.

The Machinery

The institutional factor was the most controversial issue in the preparations of the Summit. No major changes were actually agreed upon. Some minor improvements in the organisational arrangements were, however, made. One was that the Senior Officials Meeting (SOM) and the Senior Economic Officials Meeting (SEOM) became formally part of the ASEAN machinery. It was a legalisation of a standing procedure which started in the early 1970s when both were created in preparation for the Bali Summit rather than a novel product of the Manila Summit.

Another was the Joint Ministerial Meeting (JMM) which is a joint meeting of foreign ministers and economic ministers to discuss issues of common concern and co-ordination and which can be initiated by either of them, "as and when necessary." Another body is the Joint Consultative Meeting (JCM) which groups the SOM, SEOM, and the Directors General of the National ASEAN Secretariats to discuss matters of common concern and co-ordination at the sub-ministerial level. This has already proven to be workable in the form of the High-Level Steering Committee (HLSC) which was created in preparation for the Manila Summit. Both these agreements are actually long overdue.

In general, ASEAN's decision-making institutions as established at the Bangkok Meeting in August 1967 were retained, the Annual Meeting of Foreign Ministers or ASEAN Ministerial Meeting (AMM) and the Standing Committee which consists of the foreign minister of the host country as chairman and the accredited ambassadors of the other member countries to conduct the work of the Association in between AMMs. So was the institution of the ministerial meetings on economic matters (AEM) at the Bali Meeting with clear-cut instructions to recommend, co-ordinate and implement economic programmes independent of the AMM.

The meeting of the ASEAN Heads of Government as agreed upon at the Manila Summit will only be held every three to five years, "if necessary." Thus the AMM will still remain the highest policy deciding body of ASEAN. This role had been challenged ever since the institution of the AEM.

The AMM and AEM have since emerged as the two key decision-making organs. The vertical lines of responsibility that had evolved afterwards had dichotomised the ASEAN decision-making structures and thus created the "two-headed monster" which had led to problems of co-ordination. This was presented to the Kuala Lumpur Summit in 1977. The ASEAN Heads of Government came up with a compromise solution in retaining the separate character of each meeting of ministers. The technical committees are directly answerable to the relevant ministerial meetings and each committee, especially the economic committees, take their directives from the pertinent meeting of ministers. Thus the separate character of each ministerial meeting is retained. Each Meeting of ministers was further allowed to report directly to the Heads of Government

as it may be appropriate.[30]

This dichotomy was not resolved at the Manila Meeting. The foreign and economic ministers would continue to meet and make decisions in their own areas of responsibility. Although the JMM was institutionalised for purposes of co-ordination on an ad-hoc basis, but since the link between the ministers and the heads of government was not specifically mentioned, ASEAN will for the foreseeable future still witness two ASEAN key decision-making powers where the one will still be higher than the other. No agreement was, moreover, reached that the JMM may evolve into a formal co-ordinating body, such as an ASEAN Council of Ministers. The AEM's main disenchantment with the present arrangement is that external relations, including external economic relations, remain the primary responsibility of the AMM or rather of the Standing Committee, more specifically the body of the ASEAN Directors General.

Efforts to reduce or limit the power of the Standing Committee to only carry on the work of the foreign ministers have not been successful. Neither have the efforts to strengthen the ASEAN Secretariat by expanding its area of responsibility to serve the ASEAN technical committees, particularly the economic committee as was decided by the economic ministers. It has always been the wish of the economic ministers, especially Indonesia's co-ordinating ministers for economy, finance and industry to strengthen the ASEAN Secretariat for co-ordinating purposes on the committee level. The review of the organisational set-up and resources of the ASEAN Secretariat was again referred to as "an appropriate body," a meaningless phrase so familiar among Aseanocrats. The unsuccessfulness will thus retain ASEAN's image as a "two-headed monster."

The Outlook

Evaluating the ASEAN Summit and exploring its future development one year after its occurrence is an interesting, yet indispensible exercise. The expectations in the initial stages of the preparations for the Summit ran very high indeed. Towards the end of the exercise the agreements on "novel" initiatives and proposals and some "bold" reformulations of ASEAN programmes of action in the three major areas of co-operation to further deepen ASEAN collaboration could still be categorised as significant. In the field of economic co-operation the Summit succeeded in setting quantitative targets, stipulating regional measures for market liberalisation both as regards the PTA and the Rules of Origin, and standstill and rollback of NTBs, with Indonesia and the Philippines being granted special concessions.

Social, cultural, and science and technology co-operation were reconstituted into functional co-operation with the specific objective of achieving an increased awareness of ASEAN, wider participation of the people in the ASEAN exercise and the development of human resources into national and regional assets. In the field of political co-operation, both ZOPFAN and NWFZ were projected further into the future.

These initiatives and proposals were submitted to further foster regional co-operation and solidarity and to strengthen national and

[30]C.P.F. Luhulima, "ASEAN Institutions and Modus Operandi: Looking Back and Looking Forward," in Sopiee et.al. (ed.), *ASEAN at the Crossroads*, pp. 171-172.

regional resilience. Yet these achievements also reflect how fragile the bond among ASEAN nations still is. ASEAN co-operation still has to be nurtured and consolidated carefully. ASEAN still has to determine whether the achievements of the Manila Summit are targeted to maintain the status quo and thus accelerate progress on the national level in terms of GNP per capita, trade performance, far-reaching industrialisation programmes or to move in the direction of a free-trade area by agreeing to the progressive expansion of the items on their inclusion lists of the PTA or of a partial or sectorial integration or towards a common market. Some ASEAN countries are not ready to open up their internal markets to foreign competition on the basis of the infant industries argument, while all ASEAN countries are still concerned about the unequal distribution of gains from trade liberalisation. Thus the status quo will still be maintained for some time to come.

ASEAN also needs to re-formulate the concepts of national interest of each individual member nation in the context of ASEAN regionalism. The principle of concensus in decision-making is essentially a safety device to assure member nations that their national interests will not be compromised. Yet, ASEAN's dependence or rather over-dependence on exports to the developed countries which have increasingly protected their markets despite assertions of allegiance to GATT already have to a certain extent compromised the economic interests of the individual member states of ASEAN. These interests will be further compromised by the global slide towards economic regionalisms of which the most important are the Single European Act and the United States-Canada(-Mexico) free tradc area, ASEAN's biggest export markets. Entering these huge markets will almost certainly mean reciprocity, and reciprocity may mean pressure towards one big ASEAN market. ASEAN still consists of six separate markets. Although the Manila Summit declared that "ASEAN shall pursue regional solidarity and co-operation under all circumstances, especially whenever purposes and tensions of any kind, arising from within the region or from without, challenge the capacities, resourcefulness, and goodwill of the ASEAN nations," ASEAN will still have to formulate what it means by "regional solidarity," the "region's potential in trade and development," ASEAN's "efficacy in combatting protectionism and countering its effects." ASEAN will have to ask itself whether these pronouncements have enough weight to face the single European market or the Canada-United States free trade area, particularly if the Canada-United States alliance in trade slides towards the single European market rather than with the Asia-Pacific area. ASEAN member countries will have to speed up expanding their individual inclusion lists to move towards a free-trade area, possibly towards sectoral integration of their markets, thus increasing European investments in the region.

Institutionally, this will require strengthening the ASEAN Secretariat. So far ASEAN institutional arrangements have been strongly curtailed by the national interest of each member state. That is the prime reason for the far-reaching decentralisation and geographic distribution of the indefinite number of ASEAN institutions. Such a structure, marked by a web of vertical and virtually independent ministerial prerogatives, has created numerous problems: There is inadequate transsectoral co-

ordination at the national level and is compounded by the absence of co-ordination at the ASEAN's committees' level. These shortcomings are accompanied by a cumbersome chain of command at the regional level, a circuitous decision-making process and inadequate follow-up actions. These complexities are the main reason for treating the ASEAN Secretariat more as a symbol than an effective arm of the organisation. Hence, strengthening the ASEAN Secretariat will primarily mean expansion of the power and authority of the Secretary General, provision of competent manpower on a career basis, adequate funds, but most of all moral support and recognition. This will certainly mean delegation of power on the part of the member states. Although the reluctance is still immense, again external pressure may force ASEAN to compromise as has occurred so often. Moreover, the need for quick decisions will prove that the principle of concensus in all matters and at all levels is a considerable constraint in decision-making.

Politically, the efforts of a settlement of the Kampuchean issue have transcended ASEAN's capability and bargaining power. The negotiations for a settlement on Kampuchea have increasingly passed into the hands of both China and the Soviet Union. This development will certainly complicate ASEAN's political objective of establishing ZOPFAN and NWFZ. Since ZOPFAN represents, primarily perhaps, an assertion of regional resilience, any effort to develop collective ASEAN self-resiliency is a *sine-qua-non*. ASEAN still has to determine the relationship between national and regional resilience. It still has to harmonise the perception on national resilience to arrive at an ASEAN concept of national resilience in order to be able to formulate the relationship between national and regional resilience and finally the concept of regional resilience and the assertion of collective resilience. Indonesia has taken the initiative by starting an ASEAN seminar on regional resilience in January-February 1989 which will need follow-up actions, since one seminar will not result in a common perception on regional resilience, let alone in the concept of collective regional resilience.

In the field of functional co-operation, the specific objectives of achieving an increased awareness of ASEAN, wider participation of the ASEAN peoples and the development of human resources will require the re-arrangement and the redesigning of the programmes of the Committee of Social Development (COSD), of Culture and Information (COCI), and on Science and Technology (COST). The current programmes of action were based on the Bali Declaration of autonomously developing socio-cultural activities. The subsumption of social, cultural and science and technology programmes under functional co-operation with the singular objective of complementing and strengthening political and economic aspirations of ASEAN will require far-reaching rearrangements of programmes, something which has hardly begun.

Into the Third Decade: ASEAN and Issues of Peace and Security in Southeast Asia

Sukhumbhand PARIBATRA

Introduction

THE ASSOCIATION of Southeast Asian Nations or ASEAN, established in 1967, is now moving further into its third decade. In prospect are developments in a number of issue-areas directly or indirectly related to Southeast Asia's peace and security. As it will be argued below, most of these developments are unlikely to involve apocalyptic changes in the prevailing patterns of conflict and co-operation in the region, but being diverse and complex, they are likely to present difficult challenges, which the ASEAN countries collectively and individually will have to cope with and manage in the most careful and constructive manner, in order to ensure continued stability and development.

Before identifying and examining these issue-areas, however, it may be pertinent to briefly point out some broad global trends which together constitute the overall context of ASEAN's development during this third decade.

The first is growing interdependence in the international system, as social, economic and technological linkages across nations rapidly increase and multiply. This growth of interdependence, as before, is likely to be a highly uneven process, with for example the non-communist states of Southeast Asia fully partaking in it and the socialist states of the region being far less involved. But in many ways, the international system towards the end of this century and in the early part of the next will resemble a "global village" or a "global community," where members thereof engage in increasingly frequent, close and diverse interactions, and where the impacts of political, social, economic and technological phenomena are transmitted from one end of the system to another with rapidity and ease. The stockmarket crash of October 1987 is a case in point.

Partly as a consequence of this growing

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interdependence in the international system, the state's capacity to determine its own future, its ability to be master of its own destiny, will diminish. To be sure, industrial and technological developments also serve to strengthen the machineries of state. But as transnational linkages among non-state or non-governmental entities multiply, the state will continue to lose influence, not only over such linkages and the impacts thereof, but also over activities of those living and working within their borders. In this context the state has continually to adjust to external developments, with its policies being increasingly determined by inputs from abroad, particularly from non-state or non-governmental sources, and its system of government willy-nilly being increasingly opened up and hence also responsive to foreign influences, in particular ideas about political participation. As Robert Scalapino pointed out in a recent essay, socialist states are not immune to this process.[1]

Thirdly, also in part a consequence of the process of growing interdependence, politics will largely take second place to economics. To be sure, politics will continue to be important, especially where security is involved. But as industrialised nations struggle to maintain their economic predominance and to cope with the challenges contained in the process of transformation into post-industrial states, and as socialist and developing states seek further rapid economic development, almost in all cases abandoning ideological predispositions in favour of more technocratically oriented, pragmatic leaderships and policies, economics, be it strategies or conflicts, will increasingly gain the primary attention of premiers and populace.

Within the context of these broad trends taking place within the international system, there are five major issue-areas related directly or indirectly to Southeast Asia's peace and security, which present challenges ASEAN will have to cope with and manage during the rest of its third decade. These issue-areas are changing great power relations, global economic problems, ASEAN-Vietnam ties, ASEAN regional co-operation, and domestic political transformations in Southeast Asian Countries.

Changing Great Power Relations

Over the last 3-4 years the winds of change have been blowing over the once tension-filled global political arena, making the world of the late 1980s dramatically different from that of the late 1970s and the early 1980s.

This is evident from the relations between the US and the Soviet Union. In recent years, partly out of domestic economic imperatives, the two superpowers strategic perspectives have developed along similar lines, making it possible for them to bring to an end the second round of Cold War, as evident from the December 1987 Washington treaty to eliminate intermediate-range nuclear weapons and the April 1988 Geneva meeting on Soviet military withdrawal from Afghanistan.

A similar trend is discernible in the relations between the Soviet Union and the PRC, two erstwhile allies but bitter rivals since the 1960s. Domestic economic priorities have contributed towards the two communist great powers' adoptation of lower-

[1]Robert A. Scalapino, "Asia's Future," *Foreign Affairs*, Fall 1987, pp. 77-108.

risk, lower-cost and more accommodating foreign policies, especially towards each other, and the process of detente in their bilateral relations has led to a substantial decrease of tension in border areas and greater co-operation in addressing the various issues that divide them, including the problem of Cambodia.

These trends in US-Soviet and Sino-Soviet ties, together with the prospect of improvement in the relations between the Soviet Union and Japan, mean that the risks of great power military confrontation have been reduced to a very low level, possibly the lowest level since the end of World War II and, furthermore, that opportunities, again perhaps the greatest since 1945, have been opened up for regional states to manage their relations with great powers in such ways as to enhance their own political, security and economic interests.

The ASEAN countries have generally recognised and tried to exploit these prevailing trends in great power relations. This is most evident in their diplomacy towards the Soviet Union, where their efforts to persuade Moscow to bring pressure to bear on Hanoi to end its military presence in Cambodia seem to be bearing fruits, with the confirmed withdrawal of 20,000 Vietnamese troops in 1987 and the prospect of a further reduction of 50,000 more by the end of 1988. The challenge for ASEAN now is to take further advantage of these favourable trends, especially where their diplomacy towards the PRC is concerned, to bring about a durable and stable political settlement of the Cambodian conflict, to ensure that Vietnamese troops leave *and* remain out of Cambodia.

The prevailing trends in great power relations have been and continue to be beneficial to ASEAN. However, the future is not without a good deal of uncertainty for the countries of the region.

Changes in great power balance in Southeast Asia are indicated in the 1990s. It is well-nigh inevitable that problems of massive debts and trade-budget deficits will force the US to reduce its global commitments *and* to adopt a course of action which leads to more economic conflicts with friends and allies. It is also well-nigh inevitable that Japan will wish to assume political and diplomatic roles more commensurate with its position as the second -- some would say first -- global economic power. It is likely that the Soviet Union's more sophisticated approach towards the conduct of diplomacy will enable it to extend its influence in non-communist Southeast Asia. It is also likely that China's role in the region will expand, based on growing security ties with Thailand and increasing economic ties with both Thailand and Singapore. The question is how far-reaching the changes in great power balance will be and what implications these changes will have for the ASEAN countries.

Predicting developments in international politics is an hazardous endeavour, but the available evidence suggests that although changes must and will take place, there will be no apocalyptic transformation in the balance of power and influence among major actors. The United States is going through a long-term decline, but this decline is likely to be a gradual one. Commitments in Southeast Asia will probably be scaled down, but American military presence in Southeast Asia can be sustained in the longer term and is likely to be sustained, given that it is in accordance, not only with US regional interests, but also with US global interests.

The Soviet Union is likely to deepen the structure of its relationship with Vietnam, especially in military terms and to play an increasingly active diplomatic role, but the extension of its influence in all probability will be constrained by its domestic economic priorities and continued apprehensions concerning its intentions on the part of non-communist Southeast Asia. The Soviet Union might have been able to change its image from that of a feared superpower to that of a feared and respected superpower, but it is a long way from achieving the status of a friendly nation. Likewise, domestic economic priorities, as well as continuing suspicions of the ASEAN states, are likely to inhabit China's expansion of power and influence. And Japan's domestic politics is likely to dampen calls for rapid qualitative changes in its external roles and limit the impact of increased Japanese military spending to the country's vicinity.

In the context where there are likely to be significant but no apocalyptic changes in the great power balance in Southeast Asia, the challenge for ASEAN is not to confront apocalyptic changes or realise apocalyptic visions, but to *manage*: To manage great power presence and competition in such ways as to keep both "benign" and to induce major actors to lend support to ASEAN regional aims concerning peace, security and development; to reduce or eliminate conditions for more great power involvements, for example by "quarantining" countries with major domestic turmoils, or by common endeavours in such specific issue-areas as the South China Sea; and to ensure that no drastic change in the power equation take place due to actions of its own members, most notably the Philippines.

Global Economic Problems

The second issue-area is the global economy. The ASEAN countries see economic development as a key element of national and regional security (or "resilience," to use the official word), and in their pursuit of economic development they have opened up their economies to a relatively high degree, thus becoming sensitive or vulnerable to changes and fluctuations of the global economy.

There are a number of trends in the global economy today, which are likely to have implications and consequences for ASEAN well into the 1990s. Briefly put, these trends are: Increased economic nationalism; continued failure to find a stable, comprehensive and widely accepted global economic order; long-term decline of commodity prices; and what has been called "unprecedented international imbalances"[2] in the world economy, brought about largely by the fact that the world's largest economy, the US, has become history's largest debtor nation and the world's second largest economy, Japan, history's largest creditor, which is still accumulating surpluses both in foreign assets and trade.

At this juncture it seems unlikely that the most dire predictions about the world economy in the 1990s will come true. Differences and conflicts will continue to exist, sufficient to prevent the construction of an effective global economic order, but the extent of common interests among nations is likely to prevent a complete breakdown of whatever order there is in the global economic community. There will continue to be

[2]C. Fred Bergsten, "Economic Imbalances and World Politics," *Foreign Affairs*, Spring 1987, p. 770.

"imperialistic" powers. Where those opposed to Hanoi are concerned, the minimum requirements were Thailand's security and Cambodian national self-determination, both of which could be guaranteed only by an unconditional Vietnamese withdrawal from Cambodia.

Since mid-1986, however, as a result of decreased tension in great power relations, changes in Vietnam, and Indonesia's and Prince Sihanouk's active diplomacy, there are now for the first time increasing prospects for a political solution to the Cambodian problem. It is indeed an Herculean task to sift through the morass of statements and counter-statements, formulae and counter-formulae, being put forward during the last several months, but the overall picture seems relatively clear and is promising.

All parties involved one way or another in the conflict (with the exception of Khmer Rouge Pol Pot and his closest colleagues, who remain enigmas) seem to be in agreement, be it explicity or implicitly, about the following points:

- That Cambodia should be a "peaceful, independent, democratic, sovereign, neutral and non-aligned" nation, posing no threat to any neighbour.
- That a government of "national reconciliation" has to be brought about, perhaps with Prince Sihanouk as head of state.
- That the Khmer Rouge should be denied a predominant role in post-settlement Cambodia and that there should be safeguards against the group's military interventions during the period when the political settlement is being implemented. (The Chinese even called for "a freeze ... (to) be imposed on Kampuchean forces of all factions, ... (which) should refrain from getting involved in politics."[3]
- That Vietnam's military withdrawal from Cambodia is of central importance, but it can be a part of, not necessarily a precondition for, a political settlement.
- That there should be some form of involvement by members of the international community in the implementation of the political settlement.
- That dialogues and negotiations among *all* players involved are necessary and valuable in their own right even though each single round thereof may not bring concrete results.
- That in the long term the structure of relationship between Vietnam on the one hand and those opposed to it over Cambodia will have to be adjusted so as to ensure the region's peace and security.

The emergence of some commonality in terms of assumptions and problem-recognition among the parties concerned is strengthened by the fact that there seems to be a major power, not directly or indirectly involved in the conflict, which is willing to bankroll a political settlement, including the task of reviving the fortunes of Cambodia's hapless populace. Japan's proffered largesse, though of course by no means wholly altruistic in motivation, is most welcome and will prove to be a critical ingredient in the processes of formulating and implementing a political settlement in Cambodia.

It will be foolish, nay dangerous, however, to say that a political settlement is at hand. Much remains to be worked out: The mechanics of initiating a ceasefire and maintaining order; the time-table for Vietnam's

[3]Statement of the Ministry of Foreign Affairs of the People's Republic of China, 1 July 1988.

withdrawal; the forms and processes of Cambodia's electoral politics; the question of power distribution in post-election Cambodia and with it the structure of post-settlement relations between Vietnam, Cambodia and Thailand. If the peace process has already begun, and there are many observers ready to argue that it has not, it can be made unstuck by disagreement over any one of these issues. Indeed it can even be irrevocably reversed by an armed clash, inadvertent or otherwise, on any point on the long Thai-Cambodian or Sino-Vietnamese border, or by particularly severe fighting in Cambodia's interior.

Nevertheless, the prevailing trends both at the global and at the regional level suggest that ASEAN-Vietnam relations are about to enter a new phase. Since 1978-79 these relations have largely been influenced by the fact that Vietnam's military presence in Cambodia posed a clear and present danger to an ASEAN member, namely Thailand. But with Vietnam's withdrawal of 20,000 troops in 1987, its transfer of many military posts in the Thai-Cambodian border area to the PRK and the pledge to withdraw 50,000 more troops by the end of 1988, the degree and immediacy of Vietnamese threat to Thailand have declined. Even if a total withdrawal does not take place in 1990 as promised by Hanoi, Vietnam's capacity to undertake aggression against Thailand will be very limited.

In this context, ASEAN faces two challenges. The first is a medium-term one (3-5 years). Here the primary task is not to contain and reverse Vietnam's expansion as such, but to manage ASEAN's relations with Hanoi in such ways as to keep future conflicts, especially in the South China Sea, at low levels, to strengthen the fabric of regional peace and security by exploring various venues for co-operation, especially in economic issues, with Indochina, and to restrain the growth of influence of external powers therein, most notably the Soviet Union and Japan. The second is a long-term challenge (more than 5 years). Here the primary task is to create and sustain durable, stable and mutually beneficial structures of relationship with the three Indochinese states and to use them to manage the conduct of relations with Hanoi.

ASEAN Regional Co-operation

ASEAN has often been cited, and rightly so, as one of the successful cases of regional co-operation. The six member-states have now achieved the kind of unity envied by most, if not all, other regional groups, and this has been brought about by a great deal of self-restraint, especially on the part of the largest partner, Indonesia, and by painstaking efforts to seek, build and maintain concensus among them. The degree of success can be gauged from the fact that while in 1967, the year ASEAN was established, violent conflict among member-states was a distinct possibility, in the late 1980s it has become highly unlikely. Pessimism expressed in the 1960s that Southeast Asia, being a highly unstable and violence-prone region, would meet the same fate as the Balkans in early twentieth century Europe, has proved to be unfounded.

However, in some ways ASEAN has been "blessed." Common concerns with security threats, which were more or less concrete in nature, acted as a succession of centripetal forces for regional co-operation: Fear of communism in the beginning, the

problems, sometimes very serious problems which are structural in nature, but as experiences of the oil shocks of the 1970s have demonstrated, nations' capacities to bring about economic adjustment, recovery and advancement in face of adversities should not be underestimated. However, the persistence of the foregoing trends creates a great deal of uncertainty and poses a number of questions and dilemmas for the ASEAN countries.

One set of such questions and dilemmas concerns the future of the US. Can the world's most indebted nation preserve its status as the world's greatest power? Will the US maintain its international commitments and obligations or will domestic economic priorities force it to cut down, ignore or renege these commitments and obligations, and if so what will be the strategic implications and consequences of this process? If the US leadership role declines and economic conflicts between the US and the regional actors increase, how and how far will other great powers attempt to expand their roles and influence, and what should the ASEAN countries' response be?

The second set of questions and dilemmas concerns the relationships between ASEAN and socialist states. For the ASEAN countries, the economic ties that truly bind are with the non-communist industrialised nations, but it is not difficult to envisage a situation whereby the ASEAN countries become so exasperated with the rising economic nationalism in industrialised nations, particularly the US, that serious conflicts arise between the two sides and the regional states become much more responsive to the Soviet Union's and China's economic overtures, as well as to hitherto relatively untapped opportunities for trade with and investment in Indochina. If so, the questions are how far the ASEAN countries could and should proceed in pursuing their economic interests in relations with socialist countries and what implications and consequences this pursuit of economic interests will have for the ASEAN countries' traditional close security political, diplomatic and economic relationship with the industrialised countries.

The third set of questions and dilemmas concerns regional co-operation. The protectionist trends in the world economy, signifying as they do, decreased market opportunities and increased competition among producers of similar goods and may have an adverse impact on ASEAN's solidarity. Despite its professed intentions, economic co-operation has never been the regional organisation's forte, and in a restrictive economic climate the members may find themselves competing for the same markets, especially where commodities are concerned. In such a situation the ASEAN countries' own considerable protectionist sentiments may be unleashed upon one another. If so, one crucial question is whether and how far intra-ASEAN economic conflicts will have spill-over effects on the group's political and diplomatic co-operation, not only in the Cambodia question, but also in a wide range of vital issue-areas. Another is what will be the long-term impact on Southeast Asia regional security if ASEAN's solidarity is shattered by the members' failure to resolve their economic conflicts and bring about progress in economic co-operation.

The fourth set of questions and dilemmas concerns domestic stability. There is no one-to-one relationship between economic downturn and political instability. For example, during the 1970s when Thailand went

through a series of domestic upheavals and had to face a growing insurgency problem, the Kingdom's economic performance was consistently impressive, with the average annual growth rate being 6.3 per cent between 1970 and 1975 and 7.6 per cent between 1976 and 1980. But in the context where the ASEAN governments use economic performance as a basis of regime legitimation, prolonged global economic problems may prove to be politically destabilising. The questions are: How and at what price is domestic stability to be preserved? If there is instability in major regional states, what will be the consequences for the neighbours? Will there be "spill-over" effects? What should regional states do, how should they act, if there is chronic instability in a country next door, as happening in the case of the Philippines? Will domestic instability open the door to intervention or subversion by extraregional powers, and if so, what will be the consequences for regional security? In such a situation, what would be the appropriate responses for regional actors?

As in the case of changing great power relations, there are unlikely to be apocalyptic changes in the global economy and the global economic order as ASEAN moves further into its third decade. But the problems and issues confronting the regional status are many, diverse and complex, and the challenge for the ASEAN countries individually and collectively is to manage, i.e. to manage their economies and foreign economic relations in such ways as to minimise the impact of adversities and at the same time to maximise the opportunities for political and economic advancement that still exist in the global environment. In external relations, the litmus test of the ASEAN countries' achievements in this regard is their ability, or the lack thereof, to handle ties with the US, Japan and one another.

ASEAN-Vietnam Relations

At present the key issue in the relations between ASEAN and Vietnam is the Cambodian conflict. For the first time since 1978-79 there seems to be light at the end of the tunnel.

In the first eight years after Vietnam's invasion, there was little movement towards resolving the Cambodian conflict. During this period an impasse was reached, which testified, first, to the inability of the major players involved, to find common assumptions concerning the pattern of power distribution among them in Indochina and Southeast Asia; second, to the inability of any one of those contending players to dictate an outcome based more or less exclusively on their own security interests; and, third, to the inability of these players to find sufficient political will to initiate and sustain a prolonged process of dialogue among one another, which rendered impossible the kind of mutual confidence-building necessary for seeking a settlement of a conflict of this nature. Or to put it in another way, neither the Vietnamese nor those opposed to them have demonstrated a willingness to accept what were considered to be the minimum, and hence "non-negotiable," requirements of the other, or the capacity to enforce what they deemed to be their own. For Hanoi, the minimum requirements were the elimination of the Khmer Rouge as a political and military force and an acknowledgement of Vietnam's primacy in Indochina. To these one might also add the cessation of Thailand's role as a "Trojan Horse" for external

nomic improvements, indicates that Vietnam is now committed to the task of reforming its ailing economy.

Unclear, however, are the implications of these changes in Hanoi for its policy towards the Cambodia conflict. On the surface it seems that Vietnam's concerns with economic priorities and the Soviet Union's new foreign policy direction under Secretary-General Mikhail Gorbachev are factors which are forcing Hanoi to become more flexible and compromising in its foreign policy. At this juncture the Vietnamese leaders seemingly are attempting to revive or increase economic exchanges with the west and Japan with a greater sense of urgency, admitting more openly that their present foreign policy has its high costs, and putting forward a number of proposals to resolve the Cambodia conflict, which suggest that innovation is not confined to domestic affairs. The Sihanouk-Hun Sen meeting in Paris, scheduled for 2 December 1987, can be seen partly as a result of Hanoi's initiatives.

But Vietnam's track record, including its propensity to use diplomacy as an instrument of propaganda, makes it difficult to conclude beyond the shadow of doubt that it is interested in a genuine compromise solution to the conflict. Numerous questions remain, not only about Hanoi's real intentions -- for such questions have been around since the 1940s --, but also about the new leadership's ability to change what has been for a long time a central objective of Vietnam's security policy, namely influence over Cambodia. While such questions remain unanswered, there continue to be dilemmas on the part of the ASEAN countries concerning how to deal with Hanoi.

Indonesia

It is well known that for historical, geographical and domestic political reasons, Indonesia sees the PRC as the greatest long-term threat and believes that in a number of ways Vietnam has legitimate security concerns as Cambodia is concerned and has a potentially valuable part to play in countervailing against China. Thus, Jakarta has consistently attempted to make ASEAN's policy towards Hanoi less hardline and to keep the bridges across the Cambodia divide intact to ensure that when the conditions are appropriate a genuine compromise solution can be negotiated and reached. At the same time, however, it is also well known that the present Indonesian leadership places great value on ASEAN and what has been achieved by the regional organisation, and perceives Vietnam's occupation of Cambodia as a threat to regional stability and order which ASEAN is attempting to build. Thus, Jakarta has in the past always striven to preserve concensus and solidarity among its partners, especially where the Cambodia conflict is concerned.

However, during the last 2-3 years Indonesia has shown signs of increased dissatisfaction with ASEAN's present policy towards the conflict, which it sees as being not only ineffectual, but also counterproductive and dangerous, in that it contributes to the polarisation of the region and allows the PRC to increase its role and influence. Indonesia's prevailing attitude was first fully displayed when armed forces' chief General Benny Moerdani visited Hanoi in 1984 and is now being shown in its determined revival and implementation of the "cocktail party" proposal.

Like other regional states, Indonesia is

now undergoing, or on the verge of entering, the stage of transition, involving political succession. If Jakarta's new leaders, whoever they may be, are more sympathetic to Vietnam and feel less attached to ASEAN than the present leadership, the question is what will happen to the current ASEAN's policy towards Vietnam and indeed to the solidarity of the group as a whole.

The Philippines

After the 1986 "February Revolution" toppling President Marcos, the Philippines has undergone a period of confusion and instability, and the armed strength of the insurgency movement conducted by the communist New People's Army (NPA) is now between 16,000 and 24,000 and is able to operate in over 60 out of a total of 74 provinces.

During this period of political succession many political groups in the Philippines have shown increasing dissatisfaction with and opposition to the use of Clark and Subic Bay bases by the US. The reasons are numerous: Some see the American presence at these Filipino bases as being the symbol of the Philippines' past colonial status and present subservient, neo-colonial status; and other believe the American presence to be a prop for Filipino authoritarianism, which did not disappear with Ferdinand Marcos, and to be a factor contributing to the growth of the NPA. In the context where her government is subjected to attacks from both the left and the right, President Cory Aquino has shown herself to be sensitive, perhaps even sympathetic, to these viewpoints, as evident from her appointment of Senator Manglapus as the foreign minister.

At this juncture, there are numerous questions which arise from the prevailing situation in the Philippines. Can and should the ASEAN partners do something to help alleviate the Philippines' problems? Can the Philippines survive as a non-communist state and, if not, what will happen to the bases and ASEAN? Even if the Philippines remains a non-communist state committed to ASEAN, will the US be able to retain the use of the bases after the present treaty expires in 1991? Will the US wish to, given its economic difficulties and some violent incidents which may turn out to be the beginning of a sustained terrorist campaign against US military personnel? If the US withdraws from Clark and Subic, what will happen? Will it lead to rapid increases of defence expenditures by the ASEAN countries, and if so, will there be even more regional instability? Will Thailand become even closer to the PRC, perhaps to the extent of bringing about some sort of military pact, and if so, what will be the reactions of its ASEAN partners, particularly Indonesia and Malaysia?

Thailand

Thailand is also involved in the process of political transition. The last prime minister, General Prem Tinsulanonda, had remained in office for over eight years, the longest period of time under the constitutional system. After the July 1988 General Election, General Prem declined another premiership and the mantle has been passed to Chatichai Choonhavan, the leader of the most successful political party in that election and the first elected member of parliament to become prime minister since 1975. The process of leadership succession has so

unification of Vietnam, together with the withdrawal of US military presence from Mainland Southeast Asia, in the mid-1970s, and Hanoi's invasion and occupation of Cambodia in the late 1970s and early 1980s.

ASEAN's future is unlikely to be so "blessed." As discussed above, the prevailing trends suggest that in the near future security threats to the regional group are likely to be less concrete, more amorphous and no longer immediate or pressing in nature and that the member-states' concerns will be primarily focused on economic problems. As evident from past failures to bring about greater economic co-operation, the structures of the ASEAN economics' make them natural competitors rather than partners, and the ASEAN governments are reluctant to make the necessary domestic sacrifices towards the cause of regionalism. Thus these trends mean that while centripetal forces are waning in strength, divisive and centrifugal forces are likely to become increasingly influential. ASEAN is unlikely to collapse and disappear overnight, not last of all because regionalism has become institutionalised within the structures of the member-states' bureaucracies, but it is clear that a great deal of political will is needed in the years ahead to maintain the kind of momentum of regional co-operation that has been achieved in the past and to cope with or transcend intramural conflicts that are certain to arise and multiply.

As ASEAN moves further into its third decade, the challenge for the member states is not to confront and contain apocalyptic threats or to realise apocalyptic visions of regionalism, but *to manage,* i.e. to manage to keep the differences among them at low, tolerable levels and to generate continuing collective and individual commitment to common regional endeavours. This is no easy task and indeed it may be rendered even more difficult by the fact that the ASEAN countries' decisions to purchase more and more sophisticated weapon systems, especially F-16 fighter aircraft to modernise their forces, are likely to bring about a region-wide arms race.

Domestic Political Transformations

The last issue-area related to Southeast Asia's peace and security is domestic political transformations in the regional states. Here there seem to be more questions than answers at present, and the problems generated by these domestic political transformations are the ones least conducive to regional management and control, simply because they are domestic in origin.

The period between the mid-1980s and the early part of the 1990s is likely to be one where a number of domestic transformations take place in many countries in Southeast Asia. The question is whether, how and how far such developments will have politic-strategic implications and consequences reaching beyond those countries' respective national boundaries.

One cluster of such developments can be loosely labelled, for the lack of better terms, the "process of social awakening" (or "reawakening"). In some cases this takes the form of increased political assertiveness by certain ethno-cultural religious or racial groups. The rising tide of religious extremism and the recent crackdown on dissidents by the Mahathir government in Malaysia may be considered part and parcel of the process of increasing political assertiveness of the *bumiputeras,* or literally "sons of the

soil," in a multiracial society. One set of questions is whether, how and how far these domestic phenomena will have "spill-over" effects on other countries of the region, most of which are, to one degree or another, multi-racial. Another is whether, how and how far these developments will: (a) affect the existing pattern of international relations, in particular regional co-operation among the ASEAN countries; and (b) open up opportunities for extra-regional powers to expand their roles and influence.

In other cases the process of social awakening takes the form of anti-nuclearism or neutralism. In the Southwest Pacific this is clearly happening: Nationalistic-cum-moral reactions against great power involvements are readily evident from the regional states' efforts, through the signing of the Treaty of Rarotonga, to make the region nuclear weapons-free; from New Zealand's ban on port visits by the US and British naval vessels with nuclear arms or propulsion; and from micro-state Vanuatu's fiercely non-aligned foreign policy. The tide of anti-nuclearism and neutralism is not so high and rising in Southeast Asia, but the region has also been affected, as evident from Indonesia's proposal to make Southeast Asia a nuclear weapons-free zone and from the new Philippines constitution's anti-nuclear clauses. The question is whether, how and how far such anti-nuclearism and neutralism, which all too readily takes anti-American, anti-western forms, will affect the existing balance of power, both at the global and the regional level. In this connection, the biggest uncertainty surrounds the future of the US military presence: in the Asia-Pacific region will Australia one day soon follow New Zealand's example and ban port visits by nuclear-armed and-propelled vessels, hence effectively putting an end to the three decades-old ANZUS alliance? Will the Philippines insist on the strict application of its constitution's anti-nuclear clauses, thus making it impossible for the Americans to continue using Clark and Subic Bay bases?

The second cluster of domestic political transformations can be loosely labelled "the process of political transitions."

In the period between mid-1980s and the early 1990s one has witnessed or most certainly will witness leadership changes in all Southeast Asian countries, with the possible exception of Brunei. The question is what impacts the process of political succession will have on the domestic politics of each regional state and the international politics of the region as a whole. In this context the crucial countries which need to be examined are Vietnam, Indonesia, the Philippines and Thailand.

Vietnam

Age and human mortality, years of economic mismanagement, and the existence of mass poverty and underdevelopment, were factors which precipitated economic reforms in Vietnam, beginning in mid-1986, and changes in the top leadership of Hanoi, both in the party and government structures, particularly between July 1986 and February 1987. There still exist differences concerning how and how far these reforms should be implemented. But the replacement of the ideological old guard with the more progressive, younger leaders, often with southern connections, together with the Soviet Union's unequivocal support of the present regime's desire to bring about eco-

far been orderly, but the new prime minister's position is by no means secure, thus in fact making it evident that this process is not yet completed. Over the next few years there may be a great deal of confusion, conflict and instability, resulting from the top political position. The question is whether in such a period Thailand's foreign policy towards Cambodia will be more hardline, as aspiring leaders seek to rally the people to their respective causes with demonstrations of martial nationalism, or more accommodating, as internal political rifts weaken the Kingdom's resolve to prevent a Vietnam-imposed solution in Cambodia?

Moreover, the disappearance of Prem from the political scene most likely will also lead to the decline in influence of a number of top officials, who for long have been involved in Thailand's security policies, most notably the present foreign minister, ACM Siddhi Savetsila, and the former Secretary-General of the National Security Council secretary, Sqdn Ldr Prasong Soonsiri. The question is whether changes of policy makers will mean changes of policy, whether the new leaders will apply their own experiences and beliefs to the task of formulating policies. In this connection, a key figure is the present army chief, General Chavalit Yongchaiyuth. He once belonged to the so-called "Democratic Soldiers Group," which interpreted the Cambodia conflict as a socialist civil war and called on Thailand to be truly neutral in such a conflict, and has since 1979 worked closely with the Chinese. The questions are: Does he still expouse the Democratic Soldiers' ideas concerning the conflict? Or will his past co-operation and familiarity with the Chinese induce him to advocate even a closer alignment with China, and if so, what will be the implications and consequences for ASEAN?

At this juncture there are no ready answers to all the questions posed by these actual or prospective domestic political transformations in the regional states. But it is clear that these transformations may have far-reaching impacts upon Southeast Asia as a whole and also that there is very little that ASEAN as a collectivity can do to contain, minimise or eliminate adverse consequences emanating from them.

Concluding Remarks

ASEAN is entering a period of complexity, an era of diverse and complex challenges which will fully test the ASEAN leaderships' skills and resilience. Most problems seem manageable, but there are a number of very difficult problem-areas, most notably where future ASEAN regional co-operation and domestic political transformations are concerned. How well these problems will be handled will depend on the political will and diplomatic savoire-faire, of not this, but the next, generation of ASEAN leaders. Their capabilities and limitations are as yet unknown, but it is certain that their success or failure will have implications and consequences for Southeast Asia's peace and security which will reach well into the twenty-first century.

Continuity and Change in the Political Development of ASEAN

Chandran JESHURUN

WHENEVER one considers any aspect of ASEAN it is inevitable that its contrasts with the rest of Southeast Asia and, more especially, its unique achievements within the developing world as a whole are immediately brought into prominence. Thus, before one can even begin to ask pertinent and valid questions regarding its political evolution over the past twenty-one years it is important to be quite clear in our minds that ASEAN has indeed acquired a distinctly favourable political character among post-colonial societies in the world. How much of the success of its individual members as modern nation-states, as economic models of growth and as rapidly changing social and cultural entities is owed to the existence of ASEAN itself and how much it is the product of the inner qualities of nationa resilience within each country is a matter of conjecture. Looking at the question dispassionately, it would be impossible to ignore altogether the vital historical experiences of countries such as Indonesia, Malaysia, the Philippines, Singapore and Thailand prior to 1967 when ASEAN was founded. Much of what they are today as durable polities in Southeast Asia is in reality the accumulation of political, social and economic processes that predate ASEAN itself and became particularly pronounced during the post-war period. It is, therefore, advisable to begin a discussion of ASEAN by reminding ourselves that it is, firstly, very much a part of Southeast Asia and, secondly, that there are many fundamental differences in the historical and cultural experiences of its six member countries. This discussion of the political development of ASEAN cannot, therefore, be reduced to convenient generalisations which might only serve to distort rather than illuminate the subtle nuances that distinguish the individual countries and their politics. Having these considerations in mind it is, perhaps, better to simplify the approach to this subject by addressing a number of vital areas in the political development of ASEAN, namely: (i)

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the nature of governmental structures; (ii) the role of leadership; and (iii) the future prospects for political stability.

The aim of this brief survey of the political development of ASEAN or, in reality, that of its member countries, is to present an intellectual framework within which to consider the three issues of political development outlined above. It is imperative that there should be some rudimentary understanding of the historical evolution of these six states before one can proceed to make a meaningful evaluation of the most recent changes in their governmental structures. Unless one is able to appreciate that each of them has undergone its own unique transformation from an original indigenous form through a limited period of foreign, invariably Western, influence to a post-war modernisation based on the idea of a nation-state, it would be very difficult to recognise the process of continuity and change that is the focus of this paper. Thailand, for example, was never under a colonial regime while Brunei, on the other hand, only returned to independent status in 1984. This is just one variation from the norm in which Indonesia, Malaysia, the Philippines and Singapore have all gone through lengthy periods of Western colonial rule and have been independent nations for more than three decades, although Singapore only became independent when it separated from Malaysia in 1965.

There are also more vital differences in their size and their economic standing with Brunei and Singapore at one end of the spectrum and the others generally being rather densely populated rural-based societies, Indonesia being by far the most prominent in the archipelago and Thailand occupying a strategic position on the mainland. Undoubtedly, the basic differences within ASEAN along ethnic, religious, linguistic and cultural lines have been further compounded by the impact of the Western industrial capitalist world. As they have managed to remain united in ASEAN for more than two decades, it is useful to form an understanding of their political development as a regional organisation of individual nations with diverse backgrounds. Aside from this obvious reality, of course, the heterogeneous character of many of their own societies at the domestic level has been a serious obstacle to the process of nation-building. Indeed, the ASEAN member countries have all faced and, indeed, many of them continue to face, various forms of threats to their national security and internal cohesion that have been a feature of regional politics for several decades now. Thus, under these circumstances it would be futile to anticipate that there can be a simple description of the nature of political change in ASEAN although one can hardly speculate about trends in the future without some explanation of recent developments in government and politics among the six member countries.

The Nature of Governments

The six states that make up ASEAN today have all experienced important political changes during the post-World War II period and are still very much in the process of evolving their respective political systems and forms of government. While Thailand and Brunei are the modern descendants of ancient kingdoms, the other four comprising Indonesia, Malaysia, the Philippines and Singapore can be regarded as relatively new states which are the direct products of

Western decolonisation in the region. Consequently, there are many elements of local traditions and age-old customs to be found in the government and politics of these countries, one of the most conspicuous of them being the system of monarchy as practised in varying forms in Brunei, Malaysia and Thailand. At the same time, it cannot be denied that the present forms of government in countries such as Indonesia, the Philippines and Singapore are fundamentally based on Western models largely due to the inevitable process of modernisation that has occurred in the region ever since the colonial era. Over and above all these considerations, however, the very concept of the modern nation-state is itself a wholly unfamiliar phenomenon to the vast majority of people within ASEAN. An important part of their recent political history consists, in reality, of the somewhat slow and hesitant evolution towards more stable forms of government in accordance with both nationalistic ideals and pragmatic needs. One of the undeniable features of their history since the end of World War II is the remarkably smooth transition of their political structures from one stage of development to another although the degree of regime stability has tended to vary in some of them during the often painful process of change. It would, therefore, be of interest to look into some of the main characteristics of political development within ASEAN as a way of projecting the likely trends in the future, particularly in view of the rising new generation of younger people whose experiences and aspirations differ in important respects from the founding fathers of these new states in Southeast Asia.

The first aspect of government and politics in ASEAN that requires some attention is the political authority that exercises power which is sometimes also referred to as the ruling group or the regime in power. In the post-war period, there has emerged a distinct pattern of government in several countries demonstrating at least two parallel trends -- one that is basically civilian-dominated and the other essentially military-led. The role expansion of the military in Thailand has been a process that began originally in 1932 but that has undergone substantial changes due to the vagaries of domestic and international events. In the case of Indonesia, the military's emergence on the political scene was partly the result of the struggle for independence itself and partly a response to fundamental domestic instability particularly since the abortive coup attempt of the PKI (the since banned Communist Party of Indonesia) in 1965. This incidence of military involvement in ASEAN governments whether it was directly through a bureaucratic polity such as in Thailand, or in a caretaker role as in Indonesia, or even in a collaborative context as in the case of martial rule in the Philippines, has given rise to the popular view of some analysts that these ASEAN member countries have merely followed the pattern of military takeovers so typical of newly developing nations. Although one cannot deny the role of the military in the political evolution of Thailand and Indonesia, in particular, the trend towards more civilian control of government in both countries is a remarkable phenomenon that surely sets them apart from experiences in other parts of the world.

Hitherto, the military has not figured significantly in the political make-up of the rest of the ASEAN member countries although it can now be considered to be a potent source of political power in the still somewhat unsettled state of the Philippines. Brunei, Malaysia and Singapore have so far

maintained the inherited British tradition of the separation of civilian and military authority in government and politics which essentially divides responsibility for internal security and external defence between the civilian police and the armed forces respectively. While there is, therefore, this dichotomy in the nature of civil-military relations within ASEAN, it is important to remember that the exercise of political power is in fact a far more complex affair that invariably involves a number of other significant forces and institutions.

Two of the questions that naturally tend to be asked about the nature of the governmental structures in most ASEAN countries are whether there has been a basic acceptance of their legitimacy within their societies and how the succession to central authority occurs. This is a subject that can easily lead to some degree of misunderstanding as there are various ways in which to measure the legitimate authority of governments in ASEAN. One of the striking features of similarity between the military-led governments of ASEAN on the one hand and those that have been civilian-dominated, such as Malaysia and Singapore, is the pre-eminent role of the ruling groups or political parties that have been successful in the two vital areas of preserving national security and encouraging economic growth. Indeed, it may be said that part of the reason for Malaysia and Singapore to have evolved into such long-standing examples of stability is the ability of their leaders to manage the internal threats posed by communist subversion and ethnic extremism while exploiting their economic advantages to the fullest extent.

With the exception of the Philippines and Thailand, the new patterns of power that emerged in the rest of ASEAN by the mid-1960s have stood the test of time with Malaysia in particular having experienced three major changes of leadership in an exceptionally smooth manner. The political turmoil of the early 1970s in Thailand brought an end to the long-standing monopoly of political power by the military although the period that followed was initially characterised by the apparent inability of civilian parties to function effectively. Much depends, however, on the continued abstinence of the Thai military from direct participation in politics for a system of constitutional government to emerge in which the values of civilian supremacy can be nurtured. It was only in the Philippines that a highly personalised consolidation of political power occurred under Marcos when martial law was introduced in 1972 and constitutional forms of government did not return until after his overthrow by a popular revolution in 1986. In spite of the obvious differences in the types of governmental structures that have exercised power in these ASEAN countries since the mid-1960s, it must be admitted that there has been a remarkable degree of political stability and a marked level of economic progress in all of them which have certainly inspired much confidence on the part of potential foreign investors and major powers alike as to the prospects for the future.

Invariably, the growth of ASEAN stability has meant that drastic political change at the leadership level has been significant by its relative absence in such societies because of the continued succession to power of individuals or groups from the same party or socio-economic elite. Such a phenomenon is all the more unusual in a situation where various forms of electoral politics are practised and mandatory general elections are

held as provided for by constitution. It is, therefore, worth looking into the level of political participation in these ASEAN countries in order to have a better understanding of the process by which leadership is created. Despite the many empirical studies of this subject by political scientists and sociologists alike, it can be said with some certainty that the concept of leadership in ASEAN is still very much rooted in traditional belief-systems and carries with it values that are really an integral part of indigenous culture. The fact that three of the ASEAN member countries have so far successfully retained and operated the institution of monarchy within their political systems is very much a testimony to this apparent fact of political life. This persistence of traditional forms in the governmental structures of Brunei, Malaysia and Thailand is one of the unique features of ASEAN's political development. The primary quality of leadership in these countries, it would seem, however, lies in the association of national well-being with firm control at the top which is usually portrayed by the men who have set these ASEAN societies on the road of modernisation and greater socio-economic benefits in return for a high degree of political trust and latitude of action. In short, therefore, the political development of ASEAN in its individual countries has been very much dependent on the basic necessities of peace and stability accompanied by a tolerable level of socio-economic benefits.

One of the main reasons for this positive development in the political evolution of ASEAN has been the capacity for modification and compromise that has been exhibited by the various ruling groups including, for example, the adoption of a form of constitutional regime by the Brunei sultanate on its return to full independence in 1984. More than four decades after the demise of European colonialism in Southeast Asia, it may be said that the region has indeed transcended into a new-found political equilibrium in which the particular experience of the ASEAN member countries has been a generally promising example of how domestic pressures for political reform can be successfully managed. It is implicit in this attempt to explain the process of change in ASEAN that there is a continuous movement among these traditional societies towards the incorporation of more and more modern political values into the body politic in keeping with a rising awareness of individual rights and group mobilisation. In the long run the transition to sovereign nationhood should be accompanied by effective governments and durable political institutions and the recent changes in the power configurations among some of the ASEAN countries would certainly appear to suggest that the trend is towards greater stabilisation.

The two elements of leadership and popular participation in government have increasingly dominated the scope of political development in ASEAN in recent years. It may be somewhat unrealistic to identify them as such when there exist some unusual situations such as the present governmental structure of Brunei or the highly changeable nature of the Philippines' political scene. Moreover, it has been observed that efforts to promote institutional democracy in Thailand have been mostly frustrated either by the intransigence of the military itself or by the absence of a competent civilian political leadership backed by a mature electorate. The latest developments following the 24 July 1988 General Election with an elected

Prime Minister in office might possibly signal the beginning of an encouraging new phase in the evolution of the Thai political system. In Brunei, of course, the absolute power of the traditional sultanate continues to form the core of the constitutional regime that was formally installed in 1984 with the withdrawal of the last vestiges of British colonial authority. On the basis of the state's continuing prosperity resulting from booming oil revenues there is unlikely to be any serious pressure from opposition groups to the ruling government particularly as the small populace is increasingly exposed to the benefits of carefully planned socio-economic development projects. Although both Malaysia and Singapore are multi-ethnic societies that are vulnerable to occasional internal stresses especially when they are generated by downturns in their economy, this has not adversely affected the durability of their political regimes which are, in fact, based on the principle of ethnic power-sharing of a rather subtle form.

Nevertheless, the character of political leadership in ASEAN over the past two decades or more is a vital consideration in understanding the nature of continuity and change that is the outstanding feature of regional peace and stability. Without going into the personal attributes of each of the major figures in ASEAN politics it is, nevertheless, worth stressing that their very ability to function effectively within the demands of regional co-operation since 1967 is a demonstration of the sort of pragmatism that has informed their national policies. In one sense, it must be admitted that the lack of a hard line on ideological grounds has been one of the tactical advantages of these ASEAN leaders for it has enabled them to steer through the difficult and treacherous waters of foreign security and economic interests in the region. There has indeed been a certain sense of opportunism in the way in which the leadership in the six member countries has coped with the tremendous realignment of forces in the power equation in Southeast Asia during the post-1975 period. Another singular achievement of the leading statesmen of ASEAN is to have continuously maintained their dialogue with Vietnam on their own terms since the invasion of Cambodia and thus ensured a meaningful role for their countries -- and for ASEAN -- in the subsequent diplomatic negotiations. By far the most outstanding quality of ASEAN political leadership has been its effectiveness in the exercise of power and even the overthrow of the Marcos regime in the Philippines in 1986 is, to some extent, a testimony of the capacity of such leaders to subject themselves to the popular will. Nevertheless, the people's revolution in the Philippines is also evidence of the failures of certain types of leaders and the case of Marcos must be treated as an aberration in as much as it was founded on a system of martial rule that runs counter to the trend towards constitutionalism in the rest of ASEAN.

The desire for popular participation in politics among ASEAN member countries is not a new phenomenon as illustrated by the background of nationalist struggles against Western colonial rule. With the sole exception of the situation in the Philippines, however, the rest of ASEAN has been spared the spectre of civil war and street demonstrations that have occurred with regular frequency in so many other developing nations, some current examples being the events in Burma and South Korea. This is not to suggest, however, that there have been no attempts to op-

pose the ruling governments in ASEAN but, apart from armed communist, separatist and extremist movements, the opposition has been remarkably supportive of the existing political systems.

Opposition as such in the fast-changing societies of ASEAN has been generally led by a section of the existing elite that has been alienated from the central leadership of these countries. Its appeal has also been on the whole directed towards the urban masses with some attempt to muster support from rural folk. The issues that are normally championed by such groups are a combination of socio-economic grievances and a litany of alleged abuses of power by the government. The most organised forms of such attempts to discredit the leadership and challenge its authority usually take the shape of political parties but there has also been the phenomenon of various volunteer groups campaigning across political boundaries on popular issues such as corruption and other criminal misdemeanours. It is an interesting fact that the increasing lack of success of opposition political parties in popular elections has spawned more and more activity in other forms of criticisms and attacks against the ruling governments.

The question has, of course, been raised as to the disinclination of Southeast Asian societies to indulge in opposition politics, the implication clearly being that most of them are by nature and by tradition rather docile. This contention can be easily challenged on the basis of several experiences in ASEAN, the most notable naturally being the revolution of the streets in Manila in 1986. But, so far, the verdict on popular participatory politics in ASEAN must be that its growth has been relatively slow and seemingly well provided for under existing constitutional arrangements. From another standpoint, it can be added that the perception of democratic ideals as they are understood in more developed societies is highly conditioned in the ASEAN case by traditional value-systems which accord rulers and incumbent leaders an aura of authority that is not lightly questioned or easily challenged. Thus, the concept of popular participation in politics has so far remained rather dormant and only attempted to a limited extent in ASEAN societies if gauged by the standards of Western democratic values. By the same token, the process of involving the people in political change is by definition an important aspect of modernisation that can only come about in deliberate stages and in an evolving socio-economic environment. ASEAN is certainly moving fast towards such changes but the process itself is a measured one.

In summary, it is important to recognise that the domestic political context of the ASEAN countries has been altered dramatically after World War II. Nevertheless, a relatively high degree of internal cohesion and national stability has been maintained during a period of intensive warfare and international conflict in the region. It is in these rather trying conditions that the ruling regimes within the ASEAN countries have had to preserve the basic levels of peace and stability internally while attempting to evolve more durable political institutions. Even the system of British parliamentary government that had been initially tried out in Malaysia and Singapore has had to be subsequently modified to accommodate the realities of domestic politics in the two countries which are both plagued by ethnic issues. Apart from Brunei, which is a relative new-

comer in ASEAN anyway, the rest of the five countries have now been able to practise a fairly well-established electoral form of determining who will govern. There are, however, significant differences in the role of political parties as well as in their composition between each country ranging from a clear one-party dominance evident in Singapore to the general disarray in the political spectrum of Thailand due to the plethora of parties. What has become reasonably certain though is the continuance of governmental systems that are, in essence, an interesting compromise between Western models and indigenous needs designed primarily to ensure domestic stability and preserve the respect for and legitimacy of the regimes in power.

For purposes of further discussion, a number of questions may be posed regarding the nature of governmental structures:

1. Is the trend towards the strengthening of the central authority of governments in ASEAN inimical to more popular forms of political participation?
2. To what extent are democratic ideas based on Western experiences in fundamental conflict with traditional concepts of central authority?
3. Is it likely that the younger generation in ASEAN societies, such as students and youth, will demand increased rights in areas that have hitherto been the preserve of governments?
4. What are the prospects for full-fledged civilian political parties operating democratically-elected governmental systems in the future?
5. Is there an institutional need for an Opposition in ASEAN governments?

The Role of Leadership

Many observers often comment on the stark contrast between the ASEAN member countries and the rest of Southeast Asia in terms of political stability and economic growth. This is somewhat misleading because it ignores the recent past when most of the ASEAN members themselves have each at some point also experienced major crises which brought them to the brink of disaster. Moreover, all of them suffer from the weaknesses that make nation-building such a daunting task and even today many of them are still facing various forms of threats to their continued existence as independent entities. The answer to their survival and relative success in the region is to some extent, at least, due to the resilience of their governments and the ingenuity of their leaders. Like many other nations in the developing world, nationalism has played a determining part in producing the particular breed of leaders in ASEAN who are usually regarded as the "founding fathers" of their nations.

Without the emergence of the early nationalist leaders in the ASEAN countries it would probably have been impossible to have successfully established viable governments or, for that matter, laid the foundations of the new nations themselves. These founding fathers are the original core, as it were, of the political leadership of countries such as Indonesia, Malaysia, the Philippines and Singapore in particular. Undoubtedly, they have played a critical role in the political development of these new states as the early phases of their existence were invariably the most vulnerable and uncertain ones due to the variety of threats and difficulties they experienced. The moulding of the character of this original leadership, on the

other hand, was a process that was subjected to the two not always complementary influences of the colonial milieu and the nationalist mood. Consequently, there has been a sharp distinction in the attitudes and policies of the early leaders in some of the ASEAN countries towards the basic issues of nation-building.

Initially, in Thailand, for example, the ending of the absolute monarchy and the introduction of constitutional government in 1932 were major changes in the political fabric of the Thai nation that brought out into the open, so to speak, the potential new leadership of the military. Thus, the history of the dominant role of the military in Thailand's government is a vital factor to be taken into consideration in understanding the nature of political leadership in that country. Similarly, the struggle for independence against the Dutch that was waged by Indonesian nationalists both before and after the birth of the Republic in 1945 determined in a very material sense the character of the leaders who came into power subsequently. In short, therefore, various forms of nationalism and different types of political and armed struggle have marked the process of leadership-formation during the post-independence phase. With the exception of one or two highly disruptive cases, especially in an economic and political sense, when men such as President Soekarno of Indonesia and President Ferdinand Marcos of the Philippines diverted their nations' energies from the goals of development and socio-economic growth, the founding fathers have generally been credited with setting their countries on the road to progress through modernisation.

The dissimilarity in leadership style and philosophy between most ASEAN member countries and their other Southeast Asian neighbours is starkly revealing when one pauses for a moment to think about the situation in Burma today. Even in the case of Soekarno it could be argued that, despite the internal failures and the somewhat stunted growth of Indonesia during the 1950s and early 1960s, the idea of the nation clearly took root and a distinctly individual polity did emerge in the region under his rule. In the rest of ASEAN there has certainly been a bare minimum of the violent upheavals and the retardation of economic development that the mainland Southeast Asian nations such as the Indochina states and Burma respectively have experienced. Indeed, the contrast becomes even more striking when one considers the achievements of Malaysia and Singapore both of which were really the direct products of British decolonisation but whose leaders have successfully managed to fashion a unique and original national consciousness for their multi-ethnic societies. Throughout this entire process of nation-building and political stabilisation it must be remembered that the first generation of leaders in ASEAN contributed vital qualities of initiative and direction without which the transformation of their countries from a colonial hegemony to a modern identity as nation-states would not have been possible.

While ASEAN has been on the whole fortunate in having enjoyed a remarkable degree of continuity in the changes of leadership that have occurred in the last two decades within individual countries, it must be recognised that the real achievement has been the determining role of the founding fathers in sustaining their young nations during the crucial formative years. Apart from the rather unusual political separation that occurred in 1965 between Malaysia and

Singapore, it can be safely said that each of the member countries has preserved its national independence and territorial integrity in a relatively undisturbed state when compared with the experiences of other parts of the developing world. More importantly, however, the role of leadership has been absolutely crucial in shaping the internal political dynamics of the ASEAN member countries particularly in staving off the twin dangers of armed communist and separatist movements which have been the bane of many new states. Instead, the past two decades have clearly witnessed the maturing of the domestic political cultures of the ASEAN states to the extent that the status of the leadership in these countries today -- with the exception, perhaps, of the Philippines due to the ongoing post-Marcos irresolution of the leadership problem -- is both strong and highly-regarded.

It must be apparent, however, that the post-war period as such is now well and truly over and that both the circumstances and the personalities will have to make way for the needs of the present as well as the likely demands of the future. It is, therefore, vitally important to be able to appreciate the true role and contribution of the first generation leaders in ASEAN in order to ensure the element of continuity when a new crop of younger people assume the mantle of leadership in their respective countries. There is already much talk of generational change in the context of leadership succession in several countries and the demographic statistics of the organisation point to the early emergence of a politically-aware mass of voters with a high literacy rate. In these circumstances, one of the questions that has been increasingly asked is whether the traditional values that are believed to have been partly responsible for the durability of the existing political systems will be, at last, challenged. One has to understand, first of all, the full impact of modernisation and the nature of the new political cultures that have apparently wrought fundamental changes in ASEAN society before this question can be fruitfully debated. Admittedly, with the impressive advances that have been made by ASEAN in the fields of education, health services and social upliftment generally over the past two decades, it is inevitable that new national aspirations and broader political agendas will become evident. However, the question is really one of incorporating the large bulk of society in ASEAN into the impressive transformation of their agricultural economies which are today moving rapidly into a more urban-based technological future. Thus:

1. If new demands for a different form of political participation that accords a wider role to these long-neglected majorities in ASEAN societies are to be anticipated, then how are they likely to be articulated and by whom?
2. Is this the *raison d'etre* of the urban activists comprising large numbers of educated youth faced with severe unemployment problems?
3. Also related to the uncertainty that surrounds the future of traditional institutions is the continued role of the monarchy. How will such positions respond to the changed circumstances of the immediate future and will they be found to be convenient rallying points for national stability and the preservation of traditional authority?

Similarly, questions can be raised regarding the nature of paternal guidance that has been one of the hallmarks of political leader-

ship in ASEAN. While it has been relatively unobtrusive given the highly unstable regional and domestic conditions of the 1950s and 1960s, will the new generation of leaders be able to rely safely on such an image in coping with the vastly different constituency that it will face? For instance:

1. What, then, is the potential for alternative approaches to government-people communication so that the sort of rapport that has hitherto developed in ASEAN between its leaders and society can be established?
2. Will there be an even more pronounced dichotomy between the public and private sectors and what, in that case, is the possible impact of the greater bargaining power of the latter when it comes to the assertion of political authority? Needless to say, a substantial part of the political development of ASEAN in the future will depend on the specific roles of key organisations and institutions.

Prospects for Future Stability

Undoubtedly, the history of Southeast Asia during the past twenty-one years since ASEAN was founded in 1967 makes it eminently clear that the surest and least complicated route towards regional peace and stability as well as social and economic progress lies in the field of greater regional co-operation. Hitherto, the experience of the immediate post-war years has demonstrated beyond any question that the existing differences on a variety of issues among the countries of Southeast Asia act as a constant source of regional instability particularly as they are so vulnerable to exploitation by foreign powers. Since 1967 it can at least be argued that the interference of outside forces in regional or domestic affairs has been drastically reduced and that, on the contrary, an organisation such as ASEAN has emerged forcefully on the international plane as a viable Southeast Asian standpoint to be reckoned with. No doubt it has taken over twenty years to forge this sort of regional solidarity but its true significance lies in the fact that such close co-operation among the Southeast Asian nations on matters that concern them collectively has ultimately evoked a sense of regional resilience which is unique to ASEAN. Thus, in trying to understand the political development of ASEAN and, particularly, in emphasising the element of change it should be recognised that regional resilience itself is the product or function of the resilience of the individual member states. The six members of ASEAN stand out today in 1988 as solid examples of the way in which the enlightened management of their domestic situations individually has contributed directly to achieving a high degree of regional solidarity and stability.

The ASEAN experience demonstrates rather effectively the logic of the thesis that nations have to put their own houses in order before they can play a meaningful and constructive role in their regional milieu. However, after more than two decades in such a successful effort at regional co-operation, it can also be claimed for ASEAN that its strong standing and clear commitment to the ideals of a just and peaceful society have enabled its members to observe some of the basic political, social and economic norms associated with such standards. It has, for example, now become almost commonplace that through the practice of government-to-government and officials-to-officials contact

within ASEAN on a regular basis the domestic of managing a variety of social, economic and political problems are much more co-ordinated in an informal way. What in reality has happened is that ASEAN has successfully created a mood of national consciousness among its members on many of the critical areas of nation-building so much so that these are now regarded almost as the regional norm. To some extent, it was in this light that the remaining five members of ASEAN followed with concern and understanding the traumatic process of leadership change in the sixth country -- the Philippines -- in 1986. When an unspoken but common consensus on such critical questions and at such vital moments can be effectively forged within a regional organisation then it can be truly said that its standards become worthy of being emulated by the rest of the region. This, then, is the real achievement of ASEAN co-operation -- that political development in the region will hopefully follow along more mutually accepted and stable lines.

In the field of leadership succession which, as has been pointed out earlier, will become increasingly important in the near future, there appear to be emerging certain distinct styles within ASEAN. Admittedly, the problem in the past has generally been due to the highly disruptive nature of leadership change with incumbents more often than not being unexpectedly and unceremoniously deposed by a new group led by its own personality. This form of abrupt change in the top positions in govrnments in the region naturally aroused much uncertainty and doubt among those who had to conduct their political and economic dealings in the region. Since ASEAN was established in 1967 it is quite apparent that such drastic methods of determining how governments are run have been substituted by more pragmatic steps that provide for the gradual transitions in leadership from one party to another. Although the forms of such measured and systematic shifts in power may vary from one country to another in ASEAN, the salient point is that the style among them is definitely in favour of less dramatic and sudden changes. As this is an aspect of political development in ASEAN that contributes directly both to its image as a mature organisation and to the region as a whole by emphasising the virtues of peace and stability, one cannot easily ignore the coincidence of its evolution as a norm since 1967.

The finer points of political development, such as the orderly change of leaders in ASEAN, are in reality an extension of the deeply-ingrained traditions of Southeast Asian cultural norms in which the qualities of politeness, respect and proper decorum are highly valued. Thus, it must be remembered that one of the lesser known traditions of our societies is popular participation by the people in national affairs. Throughout Southeast Asian history there have been numerous instances where a leader has been able to mobilise an entire society in the task of moulding a common political will. Such great kings are known in Thai history and also in the folklore of the Malay archipelago, which depicts the vital bond that exists between the outstanding leader and his people. Today in the modern world it is equally the case that much of what governments plan and execute by way of social and economic policies must of necessity be in consonance with the social fabric and the popular mood of the moment to ensure their success. This sort of social and economic compact that exists between the leaders and their

people in ASEAN is of the utmost importance as it is a further indication of the determined pace of political development among its member countries. The loss of the goodwill and tacit understanding that rulers enjoy with their people can be disastrous in terms of the stability of governments as was clearly demonstrated in the Philippines in 1986. The great hope for the future is that this seemingly unrecognised element of traditional culture in government and politics is inherent among ASEAN leaders so that there will always be steady and smooth progress towards political stability.

Finally, as ASEAN advances impressively into a period of greater economic prosperity together with the larger Asia-Pacific region it will become increasingly pressing for the fruits of all the labour that makes such financial and material gains possible to be distributed among its societies as widely as possible. Development and modernity which have so far largely been seen as confined to the large metropolis and its environs must now be seen and experienced also by larger sections of the population in ASEAN. The challenge for its leaders in the immediate future is to establish the institutions and create the methods which will bring a greater share of the national prosperity of ASEAN member countries to an ever increasing proportion of its people. There should be, in other words, concrete evidence of a truly national level of enjoyment of the technological progress and economic benefits that will accompany the ASEAN move into a new type of developing societies -- something like NICs and yet typically Southeast Asian in outlook and temperament. As this development becomes a reality in the short-run the crucial test for most governments in ASEAN will be to guarantee that there will always be tolerable limits to the inherent socio-economic differences in society and that political mismanagement will not exacerbate them. It is this level-headed perspective of the future political development of ASEAN that holds the key to continued peace and stability not only among the six member countries but also in Southeast Asia as a whole.

The conclusion of seven leading historians in the West recently, having surveyed the entire millennium of Southeast Asian history up to the 1980s, was that "the daily lives of men are more thoroughly affected and overseen by governments than ever before." The question, therefore, is whether this is to be taken as a negative criticism of political development in ASEAN or if it is a positive sign of how peace and stability will become a more permanent feature of the region as a whole.

Instability of Global Environment and ASEAN Economic Co-operation

Djisman S. SIMANDJUNTAK

The Basic Premises

THE SUCCESS of ASEAN to overcome the turbulent first half of the 1980s provides reasons to believe in the ability of the peoples, governments, intellectuals, business communities and other elements of the community in each of the ASEAN member countries to adjust to changes that are likely to confront them while entering the 1990s, the last decade of this century. The economic conditions facing ASEAN countries in the first half of the 1980s were really difficult, particularly in 1986. Yet, its economic performance in 1987 has improved, pointing out to the light at the end of the tunnel that can serve as the basis for a sustaining high growth which still is very much needed in all ASEAN countries.

Economists may bias in favour of growth performance. Yet, to cope with the problems of unemployment, persistent poverty in different parts of the ASEAN region, average low level of education, and other sources of socio-economic problems, improved growth performance is generally a necessity. It certainly is not a panacea to the many problems facing the peoples of Southeast Asia, particularly those of ASEAN, but without it the quest for prosperity is unlikely to succeed. It is in respect to the difficult task of maintaining a sustaining high growth that has to be paid attention to; first to some premises in order to be able to appreciate what certain ASEAN countries are doing.

ASEAN countries differ on many accounts, and are, therefore, required to take these differences into account while designing their domestic policies, be they in the area of domestic politics, international relations, or ASEAN itself. In terms of population, there is a great imbalance in ASEAN. Of the 318 millions or so population in 1990, about 56 per cent will live in Indonesia. This imbalance is unlikely to change. Indonesia's share in the population of ASEAN will con-

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tinue to be as high as 56 per cent in the year 2000. Should ASEAN countries reached the hypothetical stationary population which is estimated to number 638 millions, Indonesia's share will even increase, if only slightly to 56.9 per cent. This distribution of population is bound to have strong implications upon the economic development in the region, especially ASEAN economic co-operation which is supposed to involve among other things the sharing of markets.

One may counterargue that the number of population does not matter very much. It does however matter as can be observed in the attention paid to China and India. The more so, there is growth in the Indonesian economy, even if it happens to be weaker compared to the growth performance in other ASEAN countries, as will be discussed later. What needs to be underlined here is again the difference as regards the structures of production and employment which are bound to have important bearings on future economic development.

Indonesia is the least industrialised among the ASEAN countries. The economy that in 1985 constituted 42 per cent of the total Gross Domestic Product (GDP) of ASEAN is, in other words, the least developed in the traditional sense of the words. In spite of a rapid change in the last 20 years or so, Indonesia's manufacturing is the smallest in ASEAN in terms of its contribution to total GDP and employment. As can bee seen from Annex 1, 3, the contribution of manufacturing to Indonesia's GDP and employment were still as low as 14 per cent and 13 per cent respectively. The most industrialised country in terms of the contribution of manufacturing to GDP and employment is the Philippines, followed by Singapore and Thailand. Brunei is not ranked due to lack of statistics. Furthermore, the basis for future expansion of the manufacturing sector appears to be weakest in Indonesia. As can be seen from Annex 2, the level of average education is the lowest in ASEAN. Even in 1985, nearly 60 per cent of Indonesia's population in the age group of ten years and above had completed only elementary school. A big portion of elementary schools' output cannot go further to secondary school, and only a small percentage of secondary school graduates go to higher education.

Differences between ASEAN countries do not stop at the resource endowment. Indeed, economic management is based on different basic philosophies, though there is a strong convergence in recent years. Singapore and Thailand rely primarily on market forces while trying to maximise the efficiency of resource allocation. On the other hand, Indonesia and Malaysia maintain a big public sector as can be partially seen from Table 1. Yet, in addition to general government there still is the public enterprise sector which in the Indonesian case is not only big in number, but also extensive in terms of the resources under its control. This difference

Table 1

EXPENDITURE OF THE GENERAL GOVERNMENT AS A FRACTION OF GDP

	1981	1982	1985	1986
Indonesia	25.7	23.0	24.7	26.7
Malaysia	42.6	38.0	30.8	34.4
Philippines	12.7	12.0	10.5	13.1
Singapore	25.3	21.3	27.5	-
Thailand	18.4	20.1	20.8	-

Source: IMF, Government Finance Statistics.

in basic economic philosophy has also an important implication upon some elements of ASEAN economic co-operation.

One can easily lengthen the list of differences or go into further details. Many of these differences will persist and have to be treated in many cases as given facts within which economic development and co-operation have to operate. At the same time, ASEAN countries can capitalise on a number of commonalities. A high priority is being given to economic development by all ASEAN countries with a full recognition of the limitations that economic development has in terms of overall development objectives. In fact, the widely accepted formula of national and regional resilience are based on economic development which can also be seen as an indirect approach to the promotion of political stability and military security. While pursuing economic progress there is, furthermore, similarity among ASEAN countries in terms of a growing reliance on market forces, even though the public sector is highly centralised in all ASEAN countries. As will be shown later on, none of the present members of ASEAN sticks to an industrialisation strategy which relies primarily on the domestic market. Even Indonesia as the country that has the biggest total market in ASEAN has recently moved to an outward-oriented development strategy, partly but not solely, because of the near-collapse of the oil market. This shift in orientation is not necessarily conducive to regional co-operation. The point to be made here is that a similar orientation reduces the potential for conflict. Finally, the willingness to create a regional identity has to be mentioned here as one of the forces that are likely to shape the environment facing ASEAN countries in the future.

The Imperative of High Economic Growth

The first half of the 1980s has turned out to be very difficult a period for all economies in the ASEAN region. For the first time since the late 1960s the fame of the region as a fast growing area threatened to decay when the struggle against poverty is still far away from being won. Measured in terms of different criteria, economic performance deteriorated seriously. As can be seen from Table 2, the growth rate of GDP plunged from 7.9 per cent in 1981 to 1.9 per cent in 1985 in Indonesia; from 6.9 per cent to -1.0 per cent in Malaysia; from 3.4 per cent to -4.2 per cent in the Philippines; from 9.9 per cent to - 1.9 per cent in Singapore; and from 6.3 per cent to 3.2 per cent in Thailand. These figures are self-explanatory. The fact that ASEAN countries' problems were still less serious than those afflicting other countries cannot obscure the seriousness of economic problems ASEAN countries are facing.

From Table 2 one can also infer the worsening foreign exchange gap faced by ASEAN countries in the first half of the 1980s. Current account balance or the difference between export and import of merchandise and services combined, worsened especially in Indonesia. In fact, the deterioration over-stretched the financing possibility open to Indonesia, forcing this country to announce two major devaluations in a span of time of only three years. Yet, a current account balance does not tell everything about the problems occurring in the external sector of an economy. Since a decline in export is usually followed by suppression of import, the balance in current transactions may imply an understatement of payment

difficulties facing an economy. As can be seen from the voluminous Annex 4, export of merchandise declined in fact by 38 per cent in Indonesia, from US$23,348 million in 1981 to US$14,396 million in 1986. While Malaysia's export continued first to increase to US$16,407 million in 1984, it declined by 14 per cent to US$13,719 million in 1986. The Philippines' export in 1986 was 15 per cent lower than in 1981. The only member state of ASEAN with a steady growth is Thailand whose export in 1986 was 28 per cent higher than in 1981. Had ASEAN countries refused to adjust import to the declined export, current account deficit would certainly have been much bigger than the size reflected in Table 2. This is not immaterial. The suppression of import in Indonesia, from US$16,542 million in 1981 to US$11,938 million in 1985 was intended as a measure to limit the current account deficit, taxed the economy in terms of capital goods and intermediate products available to it and, thereby, contributing to the weak growth performance.

The story about the difficult first half of the 1980s does not stop here. Troubles do also come in clusters in economics. The widening current account deficit would not create much problems if the country concerned can rely on a generous financing possibility. Unfortunately, credibility does decline in the wake of a slowdown in economic performance. This is particularly apparent in the cases of the Philippines where foreign direct investment as an important part of financing possibility declined to a negligible amount in both the years of 1984 and 1985, though it recovered somewhat in 1986. Malaysia was also facing a similar problem. Direct investment which in the past entered Malaysia in substantial amounts, declined sharply as can be seen from Annex

Table 2

SELECTED PERFORMANCE INDICATORS FOR ASEAN-5

		1981	1982	1983	1984	1985	1986	1987
Indonesia:	GDP	7.9	2.2	4.2	6.2	1.9	3.5	3.7
	CA	-0.6	-5.3	-6.3	-1.9	-1.9	-4.0	-1.7
Malaysia:	GDP	6.9	5.9	6.3	7.8	-1.0	1.0	2.4
	CA	-2.5	-3.6	-3.5	-1.7	-0.7	-0.3	-
Philippines:	GDP	3.4	1.9	1.1	-7.1	-4.2	1.5	5.1
	CA	-2.1	-3.2	-2.7	-1.3	-0.02	1.0	-
Singapore:	GDP	9.9	6.3	7.9	8.2	-1.9	1.9	8.6
	CA	-1.4	-1.2	-0.6	-0.4	-0.02	0.5	-
Thailand:	GDP	6.3	4.1	5.9	5.5	3.2	3.5	5.6
	CA	-2.6	-1.0	-2.9	-2.1	-1.5	0.2	-

Source: International Financial Statistics, February 1988, OECD Economic Outlook December 1987 and *Far Eastern Economic Reviews*, 11 February 1988.

4. The same applies to Singapore where direct investment in 1986 was only 42 per cent of that in 1981. Even the widely praised Thailand exhibited some fluctuation in respect of direct investment, though some observers tend to trace this fluctuations in this country's conscious attempt to limit the influx of foreign investment rather than otherwise. As regards Indonesia, one cannot point out to a clear deterioration of performance. Nevertheless, a larger inflow of foreign direct investment would have been welcome, given the rapidly tightening foreign exchange constraint.

Though sometimes seen as an inferior alternative form of financing because of servicing liability, external debt has been used generously, especially by Indonesia for the purpose of narrowing the gaps in saving and foreign exchange. While not comparable to Latin America, the ASEAN region does have serious debt problems. Their total long-term debt is big in the case of both Indonesia and the Philippines, 85 per cent of which or more, are public debt or publicly guaranteed debts as can be seen from the Annex 4 of this paper. Moreover, ASEAN countries have to spend a big amount of foreign exchange on the servicing of their external debts, namely US$17,158 million in 1988 and US$16,973 million in 1989. Instead of contributing to the financing of resource gap, new borrowing by ASEAN countries is no longer sufficient to finance debt services. Net transfers have become negative in 1986, namely -- US$2,723 million as compared to a positive US$5,634 million in 1982. This tells a very important thing, namely that ASEAN countries can no longer rely on new debts in addressing the problems of resource gaps. A big special credit notwithstanding, external debt has further strained Indonesia's resource position, though part of the causes are external.

It is not possible to go in great details into the causes of economic problems facing ASEAN countries in the first half of the 1980s. It is generally known that the major forces behind the weakening performance were structural rather than cyclical. Their full impacts are even still to be felt. A brief account is, however, necessary.

First of all there was the decline, or a near-collapse in the international commodity market on which all ASEAN economies strongly depend. The resource scarcity of the 1970s with such accompanying phenomena as embargo, has motivated importing countries to do everything possible to lessen dependence on traditional suppliers and materials. Improved efficiency, the introduction of new materials including synthetic ones, and restructuring towards services have a combined effect on the declining demand. On the other hand, supply increases tremendously. The result was a depression in the international commodity market.

The second most important force behind the declining performance of ASEAN economies is the exhaustion of import substitution. In this area, the market did no longer grow. The decline in export demand reinforced the declining process. Thirdly, there was the currency realignment among the major economies. While it opens up new opportunities for ASEAN economies, the immediate impact was an inflation of debt stock and debt services which are denominated in appreciating currencies, notably the Yen and the Mark. A great deal of the debt problem Indonesia currently has is due to this currency realignment. Finally, by the time ASEAN countries reach the necessary

capability to export manufactured products, the global environment has already been deteriorating, though it remains basically open to ASEAN products.

As has been alluded earlier, the main challenge facing ASEAN economies today is that of an immediate return to high growth. In doing so, new approaches have to be developed. Indeed, the strong point of ASEAN countries in facing the difficult first half of the 1980s is the willingness to introduce a timely adjustment. Singapore announced new directions of her economic policy in early 1986. Indonesia did not hesitate to devalue her currency and to announce a great number of policy changes to cope with the serious problems as described earlier. Perhaps, Indonesia is the record holder among developing countries as far as the frequency of reform in the 1980s is concerned. At the moment, a new monetary policy package is being prepared with a view to improving the country's competitiveness in the export of manufactured products.[1] Similar reforms were undertaken by the Philippines, Malaysia and Thailand. In fact, these three countries have been involved in trade policy programmes even before the decline in commodity trade.

There certainly are differences between the policy changes introduced by Indonesia and those of other ASEAN countries. However, the reforms have close similarity on some important accounts. First of all, they all aim at the resource re-allocation away from the public sector to the private sector, even in the case of Indonesia. Secondly, great attention is being paid to saving mobilisation which had been somehow neglected when resources from export of primary commodities, external loan and direct investment entered the region generously. Finally, they all aim at a rapid increase in export which because of structurally declining commodity trade, means in reality a rapid increase in export of manufactured products.

The result of the policy changes has begun to materialise, aided certainly by the recovery in major economies. Export has increased again in 1987, and so did growth rates. In this connection, one has to realise, however, the profound changes of the economies. Without exception, ASEAN economies today are strongly reliant on a rapid expansion of manufactured products. The degree of openness, which has already been high, increased further.

The viability of the newly adopted strategy of economic development is sometimes questioned by some observers. Table 3 tends to suggest, however, that ASEAN economic policies are on the right track. In fact, the combined export of ASEAN countries has strongly changed in terms of commodity composition, away from primary commodities towards manufactured products. In 1985, the share of SITC 5, 6, 7 and 8 in total export of ASEAN countries to OECD countries has increased to 33.2 per cent as compared to only 19.7 per cent in 1972. Of course, there are differences between countries. The message to be conveyed is that ASEAN economies have already been strongly dependent on manufactured products in terms of actual export and the source of future growth. At the same time, the sensitivity of these economies to what-

[1]By the time this January 1989 issue is being prepared, the "October package" has been announced, see Pande Radja Silalahi, "Indonesia's Banking System Deregulated," *Indonesian Quarterly*, Vol. XVI, No. 4 (October 1988); and even followed by the November package and December package.

ever happens in the global trading environment increased tremendously. The American market needs to be singled out in this regard. It absorbed the greatest part of ASEAN export of manufactured products as can be seen from Annex 5. In the case of SITC 7 and SITC 8 the shares of the United States were even as high as 67.6 per cent and 62.7 per cent respectively in OECD's import of these categories from ASEAN in 1985.

Table 3

COMMODITY COMPOSITION OF OECD'S FROM THE FIVE ORIGINAL MEMBERS OF ASEAN
(in Percentage)

SITC	1972	1984	1985
All commodities (000 $)	5,623,874 (100)	47,909,183 (100)	46,715,064 (100)
0 Food and live Animals	16.8	9.5	9.9
1 Beverage and Tobacco	1.1	0.4	0.4
2 Crude materials, inedible	35.5	12.6	11.3
3 Mineral Fuels, etc.	21.2	39.8	40.9
4 Animal and Vegetable Oils and Fats	4.5	3.3	3.2
5 Chemical and Related Products	0.5	1.2	1.3
6 Manufactured Goods	11.5	6.7	7.0
68 Non-ferrous Metals	(7.26)	(2.65)	(2.4)
63 Cork and Wood Manufactures	(2.58)	(1.47)	(1.7)
65 Textile yarns, fabrics related products	(0.77)	(1.13)	(1.2)
7 Machinery and Transport Equipment	4.26	18.23	17.0
77 Electrical Machinery	(2.72)	(10.83)	(9.1)
75 Office Machines and ADP Equipment	(0.14)	(2.96)	(3.0)
76 Telecommunication and Sound recording Equipment	(0.92)	(2.71)	(3.0)
71 Power Generating Machinery	(0.03)	(0.63)	(0.4)
74 General Industrial Machinery & Parts	(0.03)	(0.62)	(0.7)
8 Miscellaneous Manufactured Articles	3.39	7.16	7.9
84 Articles of Apparels & Accessories	(2.15)	(4.23)	(4.7)
89 Miscellaneous Manufactured Articles	(0.71)	(1.55)	(1.6)
82 Furniture and Parts	(0.05)	(0.50)	(0.5)
88 Photographic Apparatus, Optical Goods, Watches	(0.29)	(0.32)	(0.4)
87 Professional and Scientific Instruments	(0.03)	(0.25)	(0.3)
9 Commodities and Transactions, n.e.s.	3.39	7.16	(1.2)

Source: Organisation for Economic Co-operation and Development, *Foreign Trade by Commodities,* Series C, Imports, various volumes.

Reliance on the global market in general and on the American market in particular leads us to the discussion of the global environment. The following is not an exhaustive assessment, but gives at least the direction to ASEAN countries where to orient their attention to. First of all, the 1980s has been witnessing the decline of the American hegemony that in the past worked as an important contributor to the stability of GATT as the main component of global trading regime. What this decline implies is more than just currency realignment or spillovers of the US-Japan trade disputes on developing countries. Of far greater importance is the lack of leadership. While collective leadership may prevail subsequently, experiences in recent years demonstrated that the effectiveness of such a collective leadership leaves many things to be desired. In fact ASEAN countries have already tasted what the decline of American hegemony means in reality. Over the last three years or so, ASEAN countries have been dealing with the American campaign for fair trade with the result of having to make concessions for the sake of market access to the United States.

The instability of GATT or the multilateral trading system has also led to the re-emergence of economic regionalism. Europe-12 have signed the European Single Act in February 1986, the implementation of which is very likely to divert economic resources away from the rest of the world towards the European Community. North America has formed the US-Canada free trade association with the likelihood of being extended to other American countries such as Mexico. In the southern part of the Pacific, New Zealand and Australia have engaged also in free trade association, however limited the impacts are likely to be on other parts of the world. In Southeast Asia, the Heads of ASEAN governments have agreed on a substantive programme of intra-ASEAN trade liberalisation. Americans have floated the idea of US-Japan free trade association, though nothing concrete has been achieved sofar. All these need to be taken into account in the efforts to strengthen ASEAN economic co-operation. Programmes of ASEAN economic co-operation need to be linked with developments in the surrounding especially in the Pacific. Finally, commercialisation of new technologies are very likely to lead to far-reaching changes in the global environment in the 1990s. The introduction of new materials, the progress in automation and breakthroughs in biotechnology will complicate the international competition. The advantages the ASEAN economies now enjoy can only be maintained if on their side technological progress is sought vigorously, in spite of the relative disadvantage in human resources endowment.

The global environment pictured above is not a rosy one. Unlike South Korea, Taiwan, and Hong Kong who embarked upon their respective strategy of export-oriented development at a time when the developed countries exhibited high growth and were strongly committed to trade liberalisation, ASEAN countries have to compete in a much more unstable environment. Not only is there the threat of a wholesale protectionism that intensifies, but also the growth of the developed economies is very likely to remain weak. Recent studies on economic growth have found out inter-alia that the 1950s and 1960s constitute an exceptional "golden age." The probability for such a golden age to repeat is said to be very small. Furthermore, population growth in de-

veloped countries has been stagnant. The demand for most of the durable goods has practically saturated with a new demand being confined to replacement. In short, the 1990s is unlikely to be as strong as the 1950s or 1960s as far as growth performance of the developed countries is concerned. At this juncture it is important to note, however, that even a weak growth performance in economies as large as those of the United States and Japan is sufficient to trigger an expansion of export which is large enough in terms of the present level of export of the ASEAN countries.

In order to be able to fully exploit the existing opportunities, ASEAN countries must compete against the rest of the world. Overall import demand of the United States for instance may expand only slowly in the coming decades. The expansion of export from ASEAN countries has to rely on an increasing market share. ASEAN countries have to outcompete against East Asia if their export to the developed countries is to grow significantly. The appreciation of the Yen, the Won, the NT dollar and the HK dollar as well as the changes in relative resource endowment in the Pacific appear to be helpful to the ASEAN countries. On the other hand, however, the China factor needs to be carefully observed as the country can easily outcompete ASEAN countries in some products. The more so, a consistent policy of reallocation is needed by at least Indonesia and Malaysia, given the resource constraints mentioned earlier. It cannot be overemphasised that expansion of export, expansion of employment and reduction of capital-output ratio have to occur simultaneously. This simultaneous success is certainly very difficult to attain, and it is precisely because of this difficulty that people call the success of Taiwan's economic development a miracle. Such a success requires countless ingredients to come true of which a complementarity between people, natural resources and capital including technology is one of the most important. Casual observation suggests that such a complementarity is weak in the ASEAN economies. A neutral policy that is a policy where artificial incentives to import substitution do not exist, is very likely to improve this complementarity with one important impact that growth performance, trade performance and distributional performance are mutually reinforcing.

The Roles for ASEAN Economic Co-operation

The founding fathers of ASEAN had an immediate reconciliation among the member countries in mind when they signed the Bangkok Declaration. Soon thereafter the objective was achieved and mutual confidence was restored. One of the pre-requisites of economic development was made available. Investors need not to worry anymore about the possibility of having to give up business because of fear of armed conflict between neighbouring countries of ASEAN. After one decade of existence the heads of ASEAN governments signed the Treaty of Amity and the Declaration of ASEAN Concord. Issues of economic co-operation were addressed, and a number of schemes agreed upon. The pre-occupation was, however, political rather than economic in nature. Towards the end of the 1970s, Vietnam invaded Kampuchea, diverting ASEAN's attention to seeking solution to the conflicts. A great deal of the time available to ASEAN leaders was spent on the Kampuchean problem, and the return to this investment is still to be collected.

Economically speaking, ASEAN leaders in politics and business have not as yet discovered the merits of ASEAN economic co-operation. There is disappointment about the reality that the greatest part of the agreements signed in Bali had not been realised. The governments avoided to the farthest possible extent to commit their resources to economic co-operation while trying to give the impression as though they are complying to the Declaration of ASEAN Concord.

The ambivalence ASEAN governments have in respect to economic co-operation appears to be felt by all ASEAN governments. The reasons behind the refusal to commit their real resources remain, however, unclear. A number of arguments have been put forward, but most of them are fallacious as their validity depends on specific circumstances. If ASEAN economic co-operation is to get off the ground, it has to be demonstrated that those arguments do no longer hold.

One of the standard arguments says that, unlike the European Economic Community, ASEAN is not intended to be an area of economic integration. There is, in other words, an embedded opposition against economic integration in all members, though the reason behind it has never been clearly brought into the open. Attenuation of national sovereignty is often-quoted. However, a casual observation of what is happening elsewhere is sufficient to show that the phasing-out of trade barriers on a regional basis can even enhance a nation's sovereignty.

Lack of complementarity is another reason frequently mentioned as another obstacle to ASEAN economic co-operation. To a great extent, this argument is certainly true. Nevertheless, two points need to be made here. First, it is not a total lack of complementarity that ASEAN economies are facing. A more detailed breakdown of trade of the respective countries will reveal that some complementarity is there. Secondly, to an increasing extent, economic complementarity is man-made. The fact that ASEAN countries' industries are competitive rather than complementary is a result of trade and industrial policies pursued by the member countries. It is the promotion of the same industries behind the protection wall that leads to the present lack of complementarity.

Another reason quoted widely in disfavour of ASEAN economic co-operation relates to the smallness of ASEAN economies. The combined GDP of ASEAN countries is currently less than one tenth of the GDP of the United States. The total import of ASEAN countries including intra-ASEAN import in 1987 was less than one fifth of the total import of the United States. In short, even if ASEAN economies were highly integrated, the ASEAN single market would remain far less attractive than that of the United States for instance. Therefore, it is totally correct that ASEAN avoids a route to economic co-operation which aims at a regional import substitution. Inward-lookingness was perhaps the main reason behind the failures of economic co-operation among developing countries. What needs to be examined, therefore, is the possibility of using ASEAN economic co-operation to support member countries' efforts to improve competitiveness in the global market. An intensified division of labour among ASEAN countries can for instance accelerate the learning-by-doing process, lead to lower average costs than otherwise, and facilitate the utilisation of existing complementarity, however li-

mited this complementarity at present is.

Finally, the different level of economic development is said to have worked as a barrier to ASEAN economic co-operation. This is identical to the traditional infant-industry argument which continues to enjoy popular support in practically all countries, in spite of the lack of clear evidence for its validity. It is unrealistic to propose an ASEAN economic co-operation which ignores the need for temporary protection. On the other hand, infant-industry argument and regional co-operation need not to contradict each other. A scheme can be worked out with due attention to the problems faced by the least developed member(s). Furthermore, involvement in intra-ASEAN liberalisation can provide a good opportunity for the member countries to learn the complicated job of cutting trade barriers before they are fully engaged in world-wide liberalisation. However, it is important to remember that a liberalisation on a regional scale can also strand in regional protectionism as is the case with the European Communities today.

Some developments appear to be in favour of a closer ASEAN economic co-operation. The reemergence of economic regionalism is one of the most important. It may not be a prudent policy to engage in a regional preferential trading arrangement just because somebody else is doing it. The fragmentation of the supposedly integrated world economy can indeed end up in a situation where everybody loses instead of gaining. The mess that is likely to emerge in the wake of such a fragmentation is difficult to paint. However, ASEAN countries are far too small to reverse the present trends towards block building. Should the ongoing Uruguay Round of Multilateral Trade Negotiation fail to bring about the long desired restoration of the GATT which currently is seen by many developing countries as a forum to protect their interests, regional trading blocks or regional trade orders will certainly gain in importance.

One can also argue that the future activities of ASEAN are likely to decrease, unless economic co-operation is seriously addressed. The Kampuchean problem may soon disappear from the earth. Shifting priority to the external dialogue can only bring tangible results if ASEAN countries can demonstrate an increased level of cohesiveness. There is no intention here to ignore the ability of ASEAN countries to agree on a general position. The point is that detailed position is necessary in a negotiation. Unfortunately, ASEAN countries have rarely demonstrated the ability to agree in detail while facing their dialogue partners and other institutions such as GATT. The future existence of ASEAN the need for which is felt by all member states seem, therefore, to require a more tangible commitment to intra-ASEAN economic co-operation.

Manila Summit and After

It is encouraging to see that the Manila Summit produced substantive agreements on economic co-operation. The changes in domestic environment, Southeast Asia, East Asia, the Pacific rim and other components of the global environment are well addressed in the Summit documents. The first element of the agreements is the improvement of the ASEAN Preferential Trading Arrangement which is expected to be implemented in a five-years period, making the year 1992 an important year also for ASEAN. At the end of this period the ASEAN PTA is expected

to cover not less than 90 per cent of the items traded between the ASEAN countries and not less than 50 per cent of their value. At least on paper, steps have already been taken to avoid a PTA which is of no relevance because of a very long exclusion list. The margin of preferences are to be deepened and the rules of origin liberalised so that products with a relatively high import content can qualify for the preferential treatment. Furthermore, there is agreement on standstill and roll-back of non-tariff barriers which in fact matter more than tariff barriers as far as ASEAN economies are concerned. In the area of industrial co-operation, the basic agreement on ASEAN Industrial Joint Ventures has been improved. Some automaticity is now built in the scheme through the use of the "approved list" of potential joint venture products. Non-ASEAN equity is allowed to be as high as 60 per cent of total equity while the margin of preferences for the joint venture products is increased to 90 per cent. There are however also disagreement of which the one on machinery is the most important as the success of regional co-operation is at least partly dependent on machinery.

The future agenda of ASEAN economic co-operation should not be confined to the implementation of what has been agreed upon in Manila. Nevertheless, it seems necessary that the highest attention is given to a consistent implementation of the agreements reached in Manila. ASEAN economic co-operation can suffer from an irreparable setback should it turn out for the second time that ASEAN is not capable of complying to what has been agreed upon by the Heads of Governments. In this connection, it is imperative to involve the economic ministers in the ASEAN process and to remind them of the commitments they have recommended to the summiteers in Manila.

Annex 1

COMPOSITION OF LABOUR FORCE

	Growth Rate of Labour Force 1985-2000	1965			1980		
		Agri-culture	Industry	Services	Agri-culture	Industry	Services
Indonesia	2.2	71	9	21	57	13	30
Malaysia	2.6	59	13	29	42	19	39
Philippines	2.4	58	16	26	52	16	33
Singapore	0.8	6	27	68	2	38	61
Thailand	1.7	82	5	13	71	10	19

Source: World Development Report 1987.

Annex 2

NUMBER ENROLLED IN SCHOOL AS PERCENTAGE OF AGE GROUP

	1965			1984		
	Primary	Secondary	Higher	Primary	Secondary	Higher
Indonesia	72	12	1	118	39	7
Malaysia	90	28	2	97	53	6
Philippines	113	41	19	107	68	29
Singapore	105	45	10	115	71	12
Thailand	78	14	2	97	30	23
Korea	101	35	6	99	91	26
Hong Kong	103	29	5	105	69	13
Japan	100	82	13	100	95	30

Source: World Development Report 1987.

Annex 3

SECTORAL COMPOSITION OF GDP

	1965				1985			
	Agri-culture	Indus-try	Manufac-turing	Services	Agri-culture	Indus-try	Manufac-turing	Services
Indonesia	56	13	8	31	24	36	14	41
Malaysia	-	-	-	-	-	-	-	-
Philippines	26	28	20	46	27	32	25	41
Singapore	3	24	15	73	1	37	24	62
Thailand	35	23	14	42	17	30	20	53

Source: World Development Report, 1987.

Annex 4

SELECTED INDICATORS OF INDEBTEDNESS

	Grand Total Debt	Long-Term	%	Public + Guaranteed	MLT %	Total Debt Services 1986
Indonesia	42,089.5	35,729.2	85	31,901	89.3	4,431.7
Malaysia	...	19,649.8	..	16,758.8	85.3	3,252.1
Philippines	28,172.5	21,621.7	76.7	19,827.7	91.7	1,836.4
Thailand	17,958.6	14,130.3	78.7	11,022.6	78.0	3,072.1
Singapore	...	...	..	2,120.1	...	420.3
ASEAN				81,631	...	13,012

	Projected Debt Services			Net Transfers	
	1988	1989	1990	1982	1986
Indonesia	6,539.5	6,818.9	6,580.6	1,141.4	- 120.6
Malaysia	3,493.9	3,417.3	3,187.6	3,191.5	- 928.3
Philippines	4,498.2	3,957.8	3,841.9	617.6	- 518.2
Thailand	2,228.7	2,371.2	2,105.8	614.9	-1,182.8
Singapore	397.2	408.5	387.0	68.6	27.1
ASEAN	17,158	16,973	16,104	5,634.0	-2,722.8

Annex 5

PERCENTAGE SHARES OF JAPAN, THE UNITED STATES AND THE EEC IN OECD'S IMPORT FROM ASEAN

	OECD's Import from ASEAN (000 $)		Japan		United States		EEC	
	1981	1985	1981	1985	1981	1985	1981	1985
All commodities	45,939,915	46,715,064	51.9	43.2	31.3	33.4	16.5	16.6
0	4,369,039	4,630,520	27.6	27.4	23.8	27.0	41.7	35.7
1	214,608	172,377	10.1	7.1	21.8	17.9	45.9	50.3
2	6,706,499	5,277,751	54.8	52.3	14.8	15.7	22.4	23.4
3	22,025,365	19,108,554	78.9	74.3	28.9	21.1	1.2	1.0
4	1,227,134	1,474,537	9.8	10.6	28.0	32.7	50.9	45.4
5	305,346	624,288	63.1	43.1	12.6	21.5	14.3	20.1
6	3,071,127	3,277,103	22.0	28.9	32.7	29.0	35.5	31.2
7	5,007,674	7,939,212	6.1	3.8	64.9	67.6	22.3	23.7
8	2,638,861	3,695,002	5.0	3.6	43.0	62.7	37.1	22.7

ASEAN Co-operation: Problems and Prospects

Steven C.M. WONG

WHAT IS THE ENTITY known as the Association of Southeast Asian Nations (ASEAN)? How far can our countries be expected to co-operate when each clearly acts out of its own self-interest and there is neither centralised authority to enforce decisions nor leadership to instill co-operative behaviour? Why is ASEAN co-operation so comprehensive in some instances and yet so comprehensively not in others? If voluntary, collective actions by its members produce benefits for the group as a whole, does it follow that non-co-operation is the result of either imperfect information and/or "irrational" behaviour?

These questions are not sources of fascination for scholars alone. For the last twenty years, ASEAN practitioners have had to grapple with precisely these types of problems and without actually articulating them, they have had to try and find answers which work. Their journey, needless to say, has taken a slow, meandering course. Mid-stream changes have not been unknown or infrequent. And while highly notable and significant successes have been scored in the ASEAN body politic, to most minds the ASEAN body economic has had much less to recommend itself in achieving stated goals.

This is a perspective paper that attempts to reflect on these broad questions. It contains some personal ideas about the nature of the problems that inhibit co-operation and some suggestions as to how the ASEAN Drama may eventually unfold. It is a first, exploratory step on the subject, not by any means the final word. Also, in keeping with the laws of comparative advantage, the contents of the paper focus almost exclusively on economics. An apology is owned to those who may have been misled by the title of the paper.

A paper presented to the First Indonesia-Malaysia Conference, Bali, September 5-6 1988, organised by CSIS and ISIS (Kuala Lumpur).

Some Bases for ASEAN Economic Co-operation

ASEAN's purposes are political. If it achieves nothing else in the next twenty years, our nations would still have been admirably served and no further justification would be required.

Why then is there this vigorous pursuit of economic co-operation? What could possibly be gained by so arduously trying to resolve the problems of co-operation? Some reasons that come to mind include:

- The fear that when ASEAN ceases to be relevant to its members (that is, after all political gambits have been played) their loyalties will turn elsewhere;
- The fear that ASEAN's stature, position and bargaining power in the international community will be eroded when its ability to perform is discounted;
- The fear that the fragile world economy may face hard times such that a more integrated ASEAN economy would be a useful buffer to have in the event of economic turmoil;
- The fear that a pause in ASEAN's development will allow organisational rot to set in, sending it into irreparable decline;
- The fear that the protest and dissatisfaction with ASEAN's current pace of economic progress will grow to the point where it embarasses its practitioners;
- The belief that regional actions that make trade and industry more specialised and complementary (thus, efficient) increases the gains from trade and improved resource allocation; and
- The belief that whether or not there are direct economic gains, there is merit in constructive engagement, if only for no other reason than the cross-cultural contacts and information exchange that takes place.

No one reason may be sufficient to drive co-operation, at least not to the extent frequently demanded. But taken together, these do form a part of the vague and often diffuse motivations to see the problems to ASEAN economic co-operation overcome.

This paper argues that a number of these problems cannot be separated from what ASEAN is. Rather, they are logical extensions of the peculiar organisational structure and set of dynamics shaped and moulded in the geopolitics of the region.

The first and foremost basis for ASEAN co-operation is that it serves primarily to advance each member's interests, not that of the group. ASEAN has evolved a system of purely voluntary actions that is expedient, flexible and stable enough to permit collaboration despite wide differences in development, endowments, *et cetera*. The criteria that member governments not be limited but be in full control over policy-making and implementation may be a problem, however, it is also very much a precondition of co-operation. This makes it totally inappropriate to speak of commitments to formal treaty obligations or supranational authority of any kind.

What often happens is that the unwillingness to adopt stronger integration, or even carry out much milder economic programmes, is interpreted as the lack of genuine "political will," that is to say, members define their interests so narrowly that actions cannot be taken for the greater regional good. What would be the result, however, even if member states were to adopt a much wider, more embracing concept of national

interests? Is co-operation then to be expected in all areas? Theory and common sense appears to say not. One co-operation theorist put it thus: "... A nation may act in part out of regard for the interests of its friends, but this regard does not mean that even friendly countries are always able to co-operate for their mutual benefit. ... (T)he assumption of self-interest is really just an assumption that concern for others does not completely solve the problem of when to co-operate with them and when not to."[1]

A second foundation is that co-operation is supposed to take place on the basis of equality and therefore in a non-hegemonic form. As the 1967 Bangkok Declaration states it, one of the purposes of ASEAN is to "accelerate the economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership."

In a "game" where players have unequal endowments and the object is to preserve unity through voluntary actions, it is axiomatic that the more powerful must set aside the temptation to dominate others in the game. One factor responsible for why co-operation has been possible at all is exactly this reason: countries which are strong, politically, demographically or economically have all curbed their natural desire to exercise overt leadership in its affairs. A number of implications follow on from this:

First, both equality and partnership are well understood in the political sense, but what do they mean in the economic? If the economic meaning is equated to the political, the types of programmes that can be effectively carried out change dramatically. Different levels of development can and do condition how far and wide economic co-operation can go.

Second, the cost of non-leadership usually means slow progress. Before any programme can be acted on, it is usual for there to be a long lag time in building a concensus. This is not necessarily undesirable if the countries involved are then able to implement them in a speedy fashion, but this has not always been so.

Third, the co-operation that does emerge tends to be dictated by the "lowest common denominator." The concept of equal partnership implies the participation of the most able together with the least able in its economic programmes.

Fourth, and significantly, the concepts of equality and partnership have been built into the organisational structure and system of decision-making in a way that is not always efficient in terms of delivery capacity. This is not to say that they have not been productive. ASEAN's greatest assets are the institutions that have been built and in which its members participate since they serve multiple purposes: diffusing tensions as and when they arise; promoting harmonisation of views and co-ordination of positions; and, where possible and desirable, allowing common actions to be taken. Participants in the process also gradually become acculturised and develop and identity and loyalty that ultimately strengthens the solidarity of the institution.

Operationally, however, the system has been engineered with such flexibility that it is very often difficult even to identify where actual responsibilities lie. The first impression

[1]Robert Axelrod, *The Evolution of Co-operation* (New York: Basic Books, 1984), p. 7.

one gets from the crowded agendas and frentic activity that goes on is that the "system works." Many confluences of economic interest seem to be constantly found and translated into actions. Closer examination, however, reveals that one has to be more careful when evaluating ASEAN's organisational effectiveness.

The third foundation is that in the quest for unity -- ASEAN's highest order goal --, consultative, conflict-avoiding and concensus-oriented behaviour are *de jure*. ASEAN diplomacy is as different from Western-style "no holds barred" negotiations as chalk is from cheese. Active consultation among members take place within the formal structure of meetings and committees, but also in bilateral and informal fora. Members go to extraordinary lengths to avoid bringing conflicts into the open. Any issue which is deemed sensitive to one or more countries is deliberately avoided or else taken up at the bilateral level. When a rare error of judgement allows an issue to slip past this self-censorship, members tend often not to pursue it to a final conclusion.

None of these remarks should be taken as criticisms about the way ASEAN co-operation has evolved. These problems are part and parcel of the very reasons why ASEAN exists today.

Given the problems to co-operation are also extensions of the ASEAN *raison etre*, it may appear to some that promoting co-operation is a hopeless cause. But those who regard ASEAN's economic ambitions as unattainable "pipe dreams," however, have not had things all their own way. It is true that if there is one phrase that neatly sums up ASEAN's approach to economic co-operation, it may be: "doing the possible, not the most desirable at any given time."[2] It is also true that so far in the economic game, efforts to increase co-operation have mainly taken the form of procedural changes: searching for new ways to incentivise co-operation and, if not eliminate, then reduce the limiting obstacles. But if one takes a longer perspective of ASEAN history, one finds that the approach of such efforts have not entirely been wide of the mark.

Those in the habit of seeing things in maximal terms find it difficult to appreciate the merits of a slow, incremental approach. Then there are those (who may or may not be minimalists) who prefers not to risk upsetting the "apple cart" by asking for too much and too rapid forward movement. Between the two ends of this spectrum, a long and sometimes heated debate takes place. ASEAN governments have had to confront and be confronted by the difficult task of establishing compromises in the usual ASEAN fashion. This was especially apparent in the most significant event of the recent decade, the Third ASEAN Heads of Government Meeting (the "Manila Summit") in December 1987.

The State of ASEAN Economic Co-operation

The Manila Summit was, for all intents and purposes, almost a procedural revolution. (For the purpose of completeness, a

[2]A paraphrase of the remarks by one of the signatories to the 1967 ASEAN Declaration, S. Rajaratnam, then Singaporean Minister of Foreign Affairs. Quoted in Arfinn Jorgensen-Dahl, *Regional Organisation and Order in South-East Asia* (London: Macmillan, 1982), p. 112.

summary of the economic decisions taken is attached in the appendix to this paper.) Far from being only symbolic and justifiably so, it infused a renewed political commitment to the process by continuing to adopt the framework laid out by the previous Bali (1976) and Kuala Lumpur (1977) Summits, but thoroughly overhauling the rules.

As one looking on from the outside, it appeared that those fleshing out the Summit proposals had three options. A first option would have had the ASEAN Economic Ministers (AEMs), Foreign Ministers (AFMs) and the High-Level Steering Committee (HLSC) simply to accept the argument that nothing should or could be done to increase co-operation beyond present levels. For as long as regional economic schemes have existed, there has been speculation that they would lead to inward-looking policies that would act against member countries' interests. A different view, but arriving at the same conclusion, has been that economic co-operation among the ASEAN Six is impossible or otherwise so divisive as to be impossible. According to the first view, further efforts would prove futile, given the independence with which each member country pursued its economic policies and the vastly different levels of economic development that exist.

A second option would have had the ASEAN Ministers totally ignore the constraints to collective regional action and attempt to enforce co-operation by sweeping programmes of action and stronger economic mechanisms. Thus, there was talk of the creation of an ASEAN customs union or a common market through a legal framework. Such proposals were not confined to quixotic academia; a few ASEAN ministers were enamoured enough with the logic to have pursued the matter at ASEAN fora although to no effect.

The final option, and the direction ultimately taken, was to maintain continuity with basic elements of established economic co-operation programmes, but with substantially improved operating methods and procedures. Where necessary, vastly modified machinery for co-operation was put in place so that member countries could work within the bounds of accepted principles and objectives.[3]

Given these options, one could feasibly view the achievements of the Manila Summit in one of two ways:

- The belief that no new concensus was arrived at should not be a cause for disappointment since, with passing time and growing confidence, there has been greater awareness about *why* countries should co-operate and much bolder *hows* of co-operation have followed; or,
- The belief that ASEAN's continually placing before it demanding economic objectives only to reject, time and time again, the most direct solutions to accomplishing them, is symptomatic of its organisational ineffectualness and disfunctioning.

There is, of course, no totally objective way to say which of these two opinions better reflects ASEAN's co-operative state. The prospects for future economic co-operation

[3]The Group of Fourteen on ASEAN Economic Co-operation and Integration ("G-14"), formed by the ASEAN Chamber of Commerce and Industry for the purpose of contributing independent ideas to the Manila Summit, urged that this position be adopted as the most acceptable and productive course of action in their report *ASEAN: The Way Forward.*

can look bright or dismal depending on the subjective mental frame.

One way around this is to examine a little more closely what ASEAN's purposes are, what they are likely to be in the future and how it will function in each. It is a hypothesis of this paper that ASEAN is not *one* organisation as much as it is a complex of *three,* each functioning in ways which are compatible in some areas and not in others. Keeping these three organisational features separate and distinct is a useful way of approaching the question of its present problems and future prospects.

At the very highest political level, ASEAN is a fraternity of nations whose purpose it is to take common regional perspectives on economic and political issues. Speaking with a common voice on regional issues has given ASEAN a credibility and stature in world affairs that would have been denied its members individually. Thus, the cohesion of ASEAN at this level is of tremendous utility in political and foreign diplomatic circles. In the language of the social scientist, it serves the function of a peak association.[4]

Its future ability to continue making accords based on the common understanding of its leadership and promoting these to domestic constituents as well as the international community is therefore a vital issue. Whether or not ASEAN, as a peak organisation, has the necessary ability to make a difference through the public policies it formulates or to undertake systematic strategies is *un*important from this perspective. Tangible outcomes such as economic projects and schemes are incidental to its business proper. If its peak association functions can only be preserved at the expense of squandered opportunities to maximise economic benefits, it is wiser to pay the price.

An assessment of ASEAN as a peak association shows that its success is indisputable. It has excelled. There is laid out, after twenty years, an extensive array of common ideals, aspirations and interests that, however rhetorical, are important for their own sake and to be treasured.

At a second level, and in support of the first, ASEAN also actively engages in promoting productive, efficient and wealthy member economies through measures. The fortunes of member countries are interlinked in multiple ways. Not only is there a fair amount of intraregional economic interdependence binding them, its members' dependence on foreign economies is also a welding force.

As an association which encompasses whole countries, not select interests, ASEAN benefits if its members are made stronger by regional co-operation. Enshrined in the 1967 Bangkok Declaration and given substance at the Bali and Kuala Lumpur Summits, were a number of ambitious regional economic programmes such as the ASEAN Industrial Projects (AIPs), the ASEAN Preferential Trading Arrangement (PTA) and, later, the ASEAN Industrial Joint Ventures (AIJVs). Setting aside market-sharing aspects of co-operation for a moment, the Malaysian and Indonesian urea fertiliser AIPs, the ASEAN Swap Arrangement, the ASEAN Finance Corporation, the ASEAN Reinsurance Corporation and a host of smaller projects are *prima facie* evidence of its willingness to

[4]These terminologies are supplied by Maneur Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1971) and *The Rise and Decline of Nations* (New Haven and London: Yale University Press, 1982).

pool resources to this end.

Its record as an encompassing organisation has been well documented as not having been very impressive. Nevertheless, as the efforts of those engaged in the inter-Summit years and as the Manila Summit itself show, the commitment to collective regional growth and development remains very, very strong.

If the power of rhetoric is reduced when ASEAN shifts from a peak to an encompassing organisation, it diminishes drastically when, thirdly, it takes on the characteristics of a distributional coalition.

ASEAN has had to act as a distributional coalition since co-operation has emphasised joint project development, especially after the 1976 Bali Summit. Its role in this area is most clearly seen in the industrial and trade co-operation areas. In the past, it has had to select regional industrial projects to be promoted and it has had to concoct ways to liberalise members' markets to all in the group.

It is ASEAN as a distributional coalition where the success rate is at its lowest. It is also as a distributional coalition where it has experienced the greatest number of economic problems. In each case, the end results are the same; a failure by member countries to fully commit themselves to the spirit of the accord. In each case, self-interests and sheer disinterest has prevented these grand schemes from getting off the ground.

The failure of AIPs and its market support measures has been well documented by scholars and need not be repeated here. It is sufficient only to note that project selection has been a bone of contention in the past and that it was precisely when the accelerator was applied to industrial co-operations programmes after 1976, that major fissures began to develop among member countries. There is, for example, talk of a "diesel engine war" -- an unfortunate, but nonetheless accurate description of the tussle between two countries to establish it as an AIP.

An understandable paradox in ASEAN's approach to distributional issues in the area of trade is the essentially "hands-off" approach taken. Each country initially volunteered the items to receive preferential tariff treatment. When this did not work, bolder across-the-board tariff cuts were made. But since countries were allowed to exclude items they did not wish to receive tariff preferences, exclusions lists soon grew to be larger than inclusion lists. The effect, in the end, proved to be the same.

The Problem of Collective Action and ASEAN's Prospects

The fundamental problem of co-operation is the paradox of collective action. Stated simply, this paradox says that a group of nations where each member seeks to further its own interests may agree on common goals and objectives but will not act in a congruent, group-interested manner. In ASEAN's case, this can be seen from just two examples of the resource allocation connundrums faced in the area of trade and industry. Parallels in other areas of economic life can be found as well.

- Each member country gains if the ASEAN Six adopt a regionally more complementary and less competitive industrial structure. No one member, however, has the incentive to modify its own industrial policies or to bear the costs of such a move. As a result, although the whole group would benefit from more industrial

complementarity, the rational actions of individual countries lead to more industrial competitiveness and/or less complementarity.

- Each member country agrees that preferential tariff treatment for intraregional semi-finished and finished exports is good since it increases opportunities for economies of scale. But any country which unilaterally offers a margin of preference stands to face structural adjustment and poorer terms of trade problems. Logically, whatever any other country does, a country is better off not granting tariff preferences.

In each of the above two cases, the problem, *as represented,* is that the rational, independent, voluntary actions of members in a collective situation tends towards non-co-operative behaviour and lead to outcomes which are inferior to ones where all countries co-operate. (In game theory, this is represented by the "Prisoner's Dilemma".)

ASEAN's members are no different from the many developing countries aspiring industrialised status. For the four largest members, the routes taken run roughly parallel to one another, differing only in emphasis and duration. As a result, patterns of trade protection among member countries have also become strikingly similar, varying in quantum but not in items. Since industrial policies pursued quite often have an emphasis on those that require much foreign capital and technology, there is competition for financing and know-how as well.

Regional specialisation and complementarity are, for ASEAN, public goods. Likewise, the economies of scale that can be realised from market liberalisation is also a public good. As a public good, there is unanimous agreement that they are vital for the development of a vibrant, thriving regional economy. But also as a public good, no individual country has the incentive to pay the price. Rather, it makes more sense for each to seek the free-rider solution: of not paying, but enjoying the benefits of others' actions.

If one were to stop at this juncture, then the prospects for ASEAN co-operation -- and for all co-operation in general -- must be very bleak. ASEAN could reasonably retain its functions as a peak association and even continue to perform well in time to come, but its ability to collectively raise regional incomes and wealth as an encompassing organisation, and to undertake selective choices entailed in economic programmes and projects, as a distributional coalition, must be seriously questioned.

Not necessarily would it help the cause of co-operation immensely if ASEAN's members were individually to adopt conducive behaviour such as not engaging in the politics of envy, of always being the first to co-operate, and of reciprocating other members' actions. How to elicit this behaviour, however, is perhaps *the* quintessential problem: if one were to reform the system of ASEAN economic co-operation, what would be done differently from what is being done now?

According to one view, the problem of co-operation stems from the management of the process. As Axelrod puts it: "Promoting good outcomes is not just a matter of lecturing the players about the fact that there is more to be gained from mutual co-operation than mutual defection. It is also a matter of shaping the characteristic of interaction so that over the long run there can be a stable

evolution of co-operation."[5] He has several suggestions that can be put in an ASEAN context.

- ASEAN's future must be made sufficiently important relative to the present. If the present decisions taken by ASEAN are not likely to have a discernible impact, or, are irrelevant to ASEAN in the future, it is unlikely that co-operation will grow. ASEAN's existence cannot depend solely on the progress in the political arena and a dynamic, longer-term economic programme must be an essential ingredient to ensure its durability. Trade was one area clearly identified by the Manila Summit linking present actions to the future. Its pronouncement that intra-regional trade should cover a "substantial share" of the number and value of traded items under the PTA by the turn of the century can have a galvanising effect on co-operative endeavours in this area.
- The frequency and density of ASEAN's economic interactions should be increased. This follows from the simple reasoning that if members are obliged to meet frequently, there is a greater tendency for them to co-operate than if they only meet after long intervals. This suggests the need for more frequent Summits (of which there have been three in twenty years) and a wider dispersion of interactions in other functional areas. The Manila Summit did not arrive at a firm schedule of regular Summits for the future. But the fact they were regarded as a feasible feature of ASEAN life (albeit conditionally) does suggest a willingness to play a more direct and constructive role in fostering economic co-operation.
- The rewards of ASEAN co-operation should be changed. The Manila Summit achieved a breakthrough by furnishing the necessary political resolve and mandate at the highest level of ASEAN Governments to move the organisation forward. The major thrust of efforts, for the most part, will be concentrated in the areas of trade and industry where well-defined projects and programmes exist. In other equally important areas, the decisions taken are much too broad-based at the present time to lead to tangible ventures in the near future. ASEAN has to ensure that in giving substance to form, the areas outside of trade and industry should receive the appropriate attention.
- Greater efforts should be made to promote altruistic attitudes about ASEAN. An excellent way to promote co-operation in a society is to promote cross-cultural understanding. The Manila Summit's recognition of the need to promote an ASEAN Consciousness, or a sense of regional identity and belonging, through systematic mass programmes of information, education, culture and social development must be given form. A higher emphasis on research into ways to do this is essential.
- The element of reciprocity should be increasingly built into ASEAN's economic dealings with one another. Reciprocity is an important, if not always explicit, element in the dealings among nations. It acts not only as an effective motivation for co-operation, but a deterrent to non-co-operation as well. In the case of the AIPs and the PTA, the temptation by one party to defect from stated objectives led all other parties to do the same. The entire process degenerated into a visible farce.

[5]Axelrod, *Evolution of Co-operation*, p. 126.

The evolution of AIJVs was a timely and appropriately reciprocal device with its "6-X" formula. The increased emphasis given by the Manila Summit to the propogation of AIJVs provides more explicit opportunities for reciprocal dealings.

If the views expressed are correct, then the conclusion reached is that the course which ASEAN is now proceeding on is the correct, and ultimately stable, path to co-operation. Changing the procedural rules of the economic co-operation game, as the Manila Summit has done, does not of course totally eliminate the problems of co-operation. But they can have a very substantive effect on the co-operative tendencies of its participants.

In summary, it is the view of this paper that the prospects for ASEAN economic co-operation in the future are not unduly dismal. Not by any means. If the responsiveness of the Manila Summit is reflective of the types of decisions that are forthcoming, future years may see a more venturesome ASEAN organisation which exceeds the expectations of all but the most hardened pessermist.

APPENDIX

Economic Decisions Taken at the Manila Summit

The decisions of the Manila Summit crystallised in the "Manila Declaration, 1987" and the "Programme of Action for the Enhancement of ASEAN Co-operation." The first set out the strategic directions for future co-operation in the political, economic, social and functional fields, while the second translated these strategies into operating plans. Those in the economic field covered a wide spectrum of areas, some in highly specific detail and others in a more general fashion. As with the previous two Summits, the leaders of the ASEAN countries focussed the greater part of their attention on trade and industry. ASEAN Economic Ministers signed two agreements to enable improvements to trade and industry to be effected, *viz.* the "Protocol on Improvements on Extension of Tariff Preferences Under the ASEAN Preferential Trading Arrangement (PTA)" and the "Revised Basic Agreement on ASEAN Industrial Joint Ventures (AIJV)."

In Trade

The Manila Summit formed the view that intra-ASEAN trade co-operation should be promoted as a means of attracting foreign investment and that intra-regional trade should be significantly expanded to cover a "substantial share" of the number and value of traded items under the PTA by the turn of the century. Translating these twin objectives into reality, the Manila Sum-

This appendix is extracted and abridged from an earlier paper: Steven C.M. Wong, *The Third ASEAN Summit: Retrospects and Prospects,* prepared for the consideration of Dato' Paul Leong Khee Seong, Chairman of the ASEAN Chamber of Commerce and Industry's Group of Fourteen Working Committee on ASEAN Economic Co-operation and Integration (ISIS: Kuala Lumpur, July, 1988).

mit took specific aim at four important elements within the PTA which had impeded trade, *viz.* the exclusion lists, the margin of preferences (MOPs), non-tariff barriers and the rules of origin requirements. The Manila Declaration, 1987 stated that:

> To intensify efforts towards significant expansion of intra-ASEAN trade, ASEAN shall adopt and carry out a package of measures for the improvement of the Preferential Trading Arrangements (PTA). Such measures shall include the progressive reduction of items in the member countries' exclusion lists and the deepening of the margin of preference for items currently in the PTA. ASEAN shall also relax the ASEAN-content requirement in the Rules of Origin on a case-by-case basis. The standstill and the rollback of non-tariff barriers (NTBs) shall be implemented and the rollback of NTBs be negotiated as soon as possible after the Manila Meeting of Heads of Government.

1. Exclusion lists of "sensitive" traded items are to be reduced by 90 per cent of all the items and the remaining 10 per cent is to hold no more than 50 per cent of intra-ASEAN trade value.
2. New items "freed" from exclusion lists are to receive an initial 25 per cent Margin of Preference (MOP), while items already inside the PTA shall have the MOPs deepened to the maximum 50 per cent within a five year time-frame.
3. An immediate standstill of Non-Tariff Barriers (NTBs) is to be effected and a roll-back to be negotiated.
4. The ASEAN Rules of Origin will be reduced to 35 per cent from the present 50 per cent on a case-by-case basis.
5. The AEMs are to undertake annual reviews of the progress of the improved PTA during the five-year period in order to enable the individual member countries to make the necessary adjustments. At the end of the five-year period, ASEAN will examine the possibility of further improvements to the PTA.

In Industry

Industrial development is a major objective of ASEAN member countries and the Manila Summit acknowledged that greater collective regional action through resource pooling, market-sharing and foreign investment would heighten the benefits accruing to the region. It also strongly endorsed the ASEAN Industrial Joint Venture (AIJV) as the most promising vehicle for achieving closer industrial co-operation when the Manila Declaration stated:

> ASEAN shall accelerate sound industrial development within the region by making the ASEAN Industrial Joint Ventures (AIJVs) more flexible, quicker to implement and more attractive to private investors. It shall also include an investment guarantee agreement among ASEAN countries, continue to exchange information on national industrial policies and plans, and take appropriate measures to encourage the increased flow of technology, know-how and foreign investment into the ASEAN region.

The Heads of Government also expressed ASEAN's intention to increase the flow of foreign investments into the region and hoped to raise the level of intra-ASEAN investments to at least 10 per cent of total foreign investments by the turn of the century.

1. A pre-approved list of AIJV products is to be devised with the intention of encouraging the setting-up of more AIJVs.
2. Non-ASEAN equity ceilings in AIJVs have been raised from 49 per cent to 60 per cent for AIJV product nominations received up to December 31 1990 and subject to a minimum 5 per cent equity from each participating ASEAN country.
3. The MOP accorded to AIJV products has been raised from the minimum of 75 per cent to a minimum of 90 per cent.
4. A further MOP-waiver protection period of four years is offered to participating member countries who embark on an AIJV project from the products of non-participating countries.
5. If an AIJV product forms a component of a product manufactured under a local content programme of a member country, it will be granted local content accreditation of that country (that is, nationally treated).
6. Signing of an ASEAN Investment Guarantee to promote and protect ASEAN investments and promote sound industrial development.
7. Continuing the exchange of information on national industrial policies and plans on a more regular basis.
8. Adopting measures to encourage increased flow of technology, know-how and investments into the ASEAN region.

Beyond Trade and Industry

The Manila Summit also reached into many areas outside of trade and industry, although in most cases they stopped well short of specific decisions as to agreed strategies, programmes and projects to be pursued. As expressions of future intent, they nevertheless form a broad consensus of the agenda items for ASEAN to pursue in the up-coming years. Some of the more important decisions taken are as follows:

1. Endorsement of the ASEAN Reinsurance Corporation.
2. Liberalisation of the use of ASEAN currencies in intra-ASEAN trade and possibly investment.
3. Joint-actions to address structural surpluses in primary commodities, greater market shares, development of resource-based industries, indigenous research and development, establishment of producer and regional trade associations and commodity exchanges.
4. Greater involvement of the private sector in food, agriculture and forestry projects, the human resource development of farmers, fishermen and forestry workers and harmonisation of national plans on food, agriculture and forestry.
5. Promotion of ASEAN private sector shipping links and the feasibility study of an inter-ASEAN bulk pool system, a broker telegraph system, freight booking centres, cargo consolidation centres and point-to-point shipping services.
6. Declaration that 1992 is to be "Visit ASEAN year," that intra-ASEAN tourism is to be encouraged, and, that the ASEAN tourism industry be developed into a viable and competitive one.
7. Agreement that ASEAN energy co-operation in planning and information exchange, technology transfer, research and development, conservation, exploration and production be continued and enhanced.

Organisational Structure and Machinery

Unlike the First Summit held in Bali in 1976, the Manila Summit in Manila did not see it appropriate to initiate extensive improvements to the machinery for ASEAN economic co-operation. While this has obviously caused disappointment in some quarters, the view of the ASEAN Heads of Government that "the ASEAN organisational structure should be continually improved with a view towards enhancing its effectiveness" does imply that the *status quo* is not frozen at its present position. Instead, one might reasonably expect positive change, although the pace and direction has yet to be determined.

In two respects, tentative but positive, first steps were taken:

1. ASEAN Summits are to be held every three to five years if necessary.
2. Joint meetings of foreign and economic ministers are to be held as and when necessary to ensure better co-ordination of co-operation.

Dialogue Relations

ASEAN's dialogue relations with its six partners (*viz.* Australia, Canada, the European Community, Japan, New Zealand and the United States) has been a decided asset to the organisation over the past 20 years, despite the obvious weaknesses and problems inherent in such relationships. Several recommendations were adopted at the Manila Summit to improve the format, scope and mechanisms with respect to ASEAN's dialogue relations. They were that:

1. More emphasis should be placed on areas of special interest to ASEAN in their dealings with dialogue partners and, in particular, stressed the role of the private sector in the dialogue process.
2. Greater development co-operation in medium and long-term regional projects should be embarked on.
3. Projects of interest to the private sector should be encouraged.
4. ASEAN should explore possible relations with additional countries, groups of countries or international organisations even if these did not reach full dialogue status.

The Emerging Pacific Regional Structure

Hadi SOESASTRO

A Functional Region

THE MOST STRIKING characteristic of the Pacific Basin is its diversity. The region is heterogenous in so many respects: cultural, religious, political, economic, sosial, and even geographical. Indeed, the region's geographic area is very vast, and in the widest sense of its definition it virtually covers "half the world": its eastern boundary is the Arch of St. Louis, its western boundary is the western end of the Great Wall of China, its northern boundary is Borrow, Alaska, and its southern boundary is Punta Arenas, at the lower tip of Chile.[1]

Defined as such, this vast region would include the Asian part of the Soviet Union, including Siberia; the eastern part of China, excluding Tibet; Japan; Taiwan; Hong Kong; the Pacific part of Southeast Asia, namely the Philippines, Vietnam, Cambodia, Thailand, Malaysia, Brunei, Singapore and Indonesia; Oceania, that is, Australia, New Zealand, Micronesia, Melanesia and Polynesia; the western part of the United States and Canada; Mexico and Central America; and, the Pacific part of South America, namely Colombia, Equador, Peru and Chile.[2] As aptly expressed elsewhere, this region "would surely be one of the most amorphous regions in the world."[3]

And yet, a regional structure of sorts is widely seen to be emerging in the Pacific. The geographic definition of the region would often be conditioned by the perceived nature of the emerging regional structure. Rather than strictly based on geographic considerations, the definition of the region would more likely be based on functional

[1]Gerald W. Fry, "The Pacific Challenge: A Transnational Future," in *Asia Pacific Community* (Summer 1983), pp. 36-37.

[2]*Ibid.*, p. 37.

[3]Norman D. Palmer, "Security Dimensions of Pacific Basin Coopration," in Roy Kim and Hilary Conroy (eds.), *New Tides in the Pacific.-- Pacific Basin Cooperation and the Big Four (Japan, PRC, USA, USSR)* (New York: Greenwood Press, 1987), p. 147.

considerations. Thus, unavoidably each of such *functional regions* will have its "core" members. Essentially, the emerging Pacific Basin *region* should be seen as a functional region which, in the course of time, might cover almost all of or the entire geographic region. In such a process its "functional" definition might also be compromised, depending on the strength and cohesion of the core. A weak core would in all likelihood prevent the emergence of any regional structure, or if one should emerge it would only be short-lived. Although the region's diversity may be a great obstacle to the formation of a strong core, it may as well constitute its greatest asset: Economic complementarities, for instance, could provide a basis for the creation of strong cores.

Harlan Cleveland does not believe that the emergence of the Pacific Basin as a region could be rooted in geopolitics. He observes that the architects of the post-World War II international order were convinced that the way to disaggregate the structure of world order from global governance was by creating a string of strong regional organisations, based on concepts of geopolitics. He shows that this did not turn out to be workable.[4] Instead, Cleveland sees the emergence of the Pacific Basin primarily as a result of the thickening web of economic interdependence.

Economic interdependence, resulting from intensive economic transactions, brings about closer and stronger ties in trade, technology, and capital. These ties serve to multiply connections and additionally they tend to force governments and the private sectors to co-ordinate their actions. In the Pacific Basin, such growing economic interdependence is clearly visible in the Western Pacific and North America. These ties, however, are not the source, but merely the symptoms, of the emerging regional structure. Of fundamental importance is the fact that the respective countries have been drawn together by economic factors. Nathaniel Thayer finds this to be the most important feature of the "new international order" that has emerged in the Pacific.[5] He argues that usually military security is at the heart of any international order and suggests that this is not the case with what he calls the East Asian order which is mainly concerned with economic co-operation. It is not difficult to see that the core of this regional order consists of the five Pacific industrial countries, namely Australia, Canada, Japan, New Zealand and the United States; the Asian NICs, namely South Korea, Taiwan, Hong Kong, Singapore; the other Southeast Asian countries: Indonesia, Malaysia, the Philippines, Thailand. The Pacific island countries are also seen as members of this core group of countries, largely through the various economic associations linking them to Australia and New Zealand. China, which until a few years ago was seen to be at the periphery of this order, has rapidly moved in the direction of becoming a member of the core.

Economic interdependence is traditionally seen to exist only among the industrialised countries. Studies on economic interdependence have been focused largely on relations among the developed countries.[6] Economic

[4]Harlan Cleveland, "The Future of the Pacific Basin," in *Pacific Viewpoint*, Vol. 25, No. 1 (1984), p. 1.

[5]Nathaniel B. Thayer, "The United States, Japan, and the Emerging East Asian Order," *SAIS Review*, Vol. 4, No. 1 (Winter-Spring 1984), pp. 1-14.

[6]The most important work on interdependence among the developed countries is the one by Richard N. Cooper, *The Economics of Interdependence: Economic*

interdependence in the Pacific is perhaps rather unusual in that it encompasses not only the developed economies but also the newly industrialising and the developing economies. Indeed, the countries in the core are among themselves very heterogeneous not only in terms of levels of economic development but also in many other respects. This phenomenon requires explanation. After all, economic interdependence exists because the respective states allow it to exist. In other words, interdependence derives from policy.[7]

Growth and Interdependence

Economic growth and interdependence in the Pacific have come to be seen as two sides of the same coin. On the one hand, this suggests that the nature of the existing interdependence can best be understood by looking at the source and mechanism of growth in the region. On the other hand, the continuous strife for economic growth may explain the prevailing acceptance of interdependence, in particular by the developing countries in the region. Interdependence is not without cost. Although economic interdependence has not made the nation-state obsolete, as is sometimes believed, it does constraint the freedom of action of governments and thus may significantly affect internal political processes.

Any examination of the region's economic growth over the past quarter century cannot possibly ignore Japan's role as a major growth stimulant. As described by Peter Drysdale and Hugh Patrick, the pronounced impact of Japanese growth on the Pacific economy "has been felt through the huge growth of Japanese demand for minerals and foodstuffs and, more recently, labour intensive manufactures as well as through the flows of capital and technology that these demands generated throughout the region."[8] Shinohara provides an explanation as to why Japan's rapid economic growth has functioned as the growth pole for the Pacific economies. Firstly, there is the "demand side" multiplier effect in the sense that rapid economic growth in Japan has stimulated exports from the various economies in the region. This has had the effect of disbursing funds throughout the region. Secondly, there also is the reverse effect in that increased domestic investments in those economies, resulting from their increased exports, has led to a rapid growth of capital goods imports. Japan, he argues, has played an important part as a "supply base for capital goods" in the region.[9] However, the explanation regarding Japan's role in this cy-

Policy in the Atlantic Community (New York: Columbia University Press, 1968); the collection of studies edited by Lawrence Krause and Sueo Sekiguchi, *Economic Interaction in the Pacific Basin* (Washington, D.C.: Brookings Institution, 1980), examine economic interdependence among six Pacific Basin countries, namely Australia, Japan, Korea, the Philippines, Thailand, and the United States.

[7]See Peter Gourevitch, "The Second Image Reversed: The International Sources of Domestic Politics," in *International Organization* Vol. 32, No. 4 (Autumn 1978), pp. 881-911.

[8]Peter A. Drysdale and Hugh Patrick, "Evaluation of A Proposed Asian-Pacific Regional Economic Organization," in *An Asian-Pacific Regional Economic Organization: An Exploratory Concept Paper,* prepared for the Committee on Foreign Relations, United States Senate, 96th Congress, 1st Session (Washington, D.C.: U.S. Government Printing Office, 1979), pp. 4-5.

[9]Miyohei Shinohara, "Trends of the Asia-Pacific Economies, 1960-2000," in *The Economies of the Asia-Pacific Region -- Present and Future* (Tokyo: Asian Club, 1983), p. 31.

cle of export-investment-export -- or the "virtuous circle-expansion process" as Shinohara calls it -- is not unchallenged.

Another view suggests that it was the rapid growth in the ASEAN countries and the Asian NICs that had provided the moving force to make Japan's rapid growth in the 1960s and 1970s possible. Specifically, it was the export-oriented strategy of the Asian NICs that had generated active expansion of demand for Japan's intermediate and investment goods. In addition, it is argued that it was the other industrialised countries, such as the United States and Western Europe, rather than Japan, that had provided the markets and made NICs export-oriented growth successful.[10] A study undertaken by Yamazawa on the production and export of manufactured goods, in particular textiles and clothing, in the region during the 1970s shows that both competition and complementarity existed between Japan, the Asian NICs and the ASEAN countries.[11] It further shows that Japan's absorption of manufactured exports from the Asian NICs and the ASEAN countries was only one-third of that by the United States. In addition, the competition between Japan and the Asian NICs or the ASEAN countries initially took place in the United States and Western Europe and not in the Japanese market. Competition in the Japanese market only began in the late 1970s.

Yamazawa's study also shows that although there existed a strong complementary supply of intermediate or investment goods from Japan to the Asian NICs and the ASEAN countries that complementarity was "one-sided." Calculations based on the 1975 ASEAN International Input-Output Tables show that manufacturing output in Malaysia induced by an additional unit of Japan's manufacturing output was 800 times larger than the manufacturing output in Japan induced by an additional unit of Malaysia's manufacturing output. This study confirms the tendency of Japanese firms to procure parts and intermediate inputs within Japan itself. However, this picture appears to be rapidly changing as Japanese industries are undergoing quite dramatic structural adjustments in the late 1980s. In addition, any study on the development of the manufacturing sector in the Asian NICs and the ASEAN countries cannot ignore the importance of the American market to those countries. This has become all the more pronounced today, and the role of the US market also needs to be properly assessed in understanding the process of growth and the resulting interdependence in the region.

The pattern of interdependence in the Pacific, which exhibits both competition and complementarity, is believed to have created a climate that is conducive to international co-operation. This interdependence is based on a peculiar and dynamic division of labour, the so-called "flying geese" pattern. It implies that the region as a whole can progress by following the lead countries, namely the United States and Japan. As explained by Saburo Okita, this flying geese pattern is distinct from the two traditional types of international division of labour: vertical divi-

[10]Wontack Hong, *Proceedings of the Tenth Asian Roundtable* (Tokyo: Asian Club, December 7-8, 1983), p. 35.

[11]Ippei Yamazawa, "Trade in Manufactured Goods and Industrial Adjustment," in *The Economies of the Asia-Pacific Region -- Present and Future* (Tokyo: Asian Club, 1983), pp. 62-68.

sion and horisontal division.[12] The former type characterises relations between the suzerain and the colony that prevailed during the 19th century but can be observed to exist today also between an industrialised country and the resource-supplying country. The latter type is characteristic of trade in manufactures among industrialised countries, as can be observed within the European Community.

The flying geese pattern of development in the Pacific is seen to have been facilitated by the region's diversity and because the division of labour allows each country to take advantage of its distinctiveness to develop. Thus, in the Pacific region it is the United States that has developed first as the lead country. It has been followed by Japan that began in the late 19th century to develop a nondurable consumer goods sector which was subsequently followed by durable consumer goods and capital goods sectors, and lately by the development of high-tech industries. The Asian NICs and the ASEAN countries are currently seen to be following in Japan's footsteps. The efforts by the countries in the region to catch up have resulted in the region's economic dynamism. As suggested by Lawrence Krause, the importance of Japan's rapid growth was also because it "demonstrated that the catch-up process could work and several countries began to follow the Japanese model which created high growth expectations throughout the region."[13]

One could also argue that the regional structure of economic interdependence has emerged and is strengthened because it facilitates the so-called "rolling readjustment of industries." The major challenge to the region appears to result from the fact that sustaining this process would require increased co-operation as resistance would build up and adjustments by the older industries would become more painful. There have been proposals which suggest that this process of rolling readjustment be made the focus of any useful regional institution.[14] The argument rests on the desirability of this structural interdependence and, therefore, in order to be able to manage this interdependence it needs to be institutionalised. In fact, this suggestion amounts to proposing a *regional regime.* While a regional regime of this nature may be desired as a way to facilitate a continuing process of rolling readjustment -- or to keep the flock of geese in flight -- through the *systemic* influences it could exercise upon the regional economies, its political feasibility is not immediately obvious.

The region's successful economic performance not only results from the regional climate that is conducive to co-operation. As noted by Saburo Okita, a number of domestic factors and policies have greatly contributed to the success; they include the following: export-oriented policies, a high rate of investment supported by a high rate of domestic savings, the active role of the private sector in the economy, great improvements in agriculture, and successful economic adjustment policies.[15] Although

[12]Saburo Okita, "Pacific Development and Its Implications for the World Economy," in James W. Morely (ed.), *The Pacific Basin – New Challenges for the United States* (New York: Academy of Political Science, 1986), pp. 26-27.

[13]Lawrence B. Krause, "World Economic Development and Implications for the Pacific," in *Issues for Pacific Economic Cooperation* (Jakarta: CSIS, 1984), p. 16.

[14]See Cleveland, *Future of the Pacific,* pp. 6-9.

[15]Okita, "Pacific Development," pp. 24-26.

these factors are of real importance they do not explain why those countries -- especially the follower countries, namely the Asian NICs and the ASEAN countries -- have opted for economic interdependence. Why these countries have been able to pursue their development along this strategy also deserves explanation.

The reasons may be complex and vary from one country to another. However, William Overholt observes a shared logic in the development of the Asian NICs and the ASEAN countries and offers a political-economic model that explains their success. He describes his Pacific-Asian model as having the following elements: (a) stimulation of a sense of nationhood; (b) cleaning up of institutions (from corruption, incompetence, etc.); (c) cracking down on crime, political strike, disorder; (d) repression of pressure groups that cause patronage, corruption, inflation; (e) coming to terms with the advanced industrial countries in order to share their capital, markets, and technology; (f) keeping military budgets small but development budgets high; (g) shifting to export-led growth; (h) reforming income distribution; (i) co-opting the Left with egalitarian reforms, the Right with growth; (j) creating large, modern firms to enhance trade; (k) acquiring technology, capital, and trading from multinational corporations; (l) moving up a ladder that starts with labour-intensive sectors; (m) using authoritarian means if necessary to accomplish the above.[16] He claims that the Pacific-Asian model is not only a successful economic model but it is also a successful political model, and suggests that the linkage rests with the fact that economic growth makes politics no longer a zero-sum game.

Perhaps economic development and growth have even much wider consequences for these nations; in addition to the prerequisite for nation building, economic development and growth are considered crucial to internal stability and national security. The ASEAN countries see the threat to their security to originate mainly from within and accordingly have placed high priority on economic development as the most effective way to respond to this kind of threat. In addition, the legitimacy of their governments derives to a large extent from their successful economic development efforts. In these newly developing societies the collapse of the government could greatly affect the nation's survival. In short, economic development and growth are a political necessity. For the ASEAN countries as a group, an additional important incentive to vigorously pursue economic development is perhaps competition with the Indochinese countries, following the fall of Saigon, for a successful development model.

The case of the Asian NICs, particularly South Korea and Taiwan, demonstrates much more clearly the importance of national security considerations in their drive for economic growth. National survival is clearly at stake here, but competition is equally pronounced. As Linder points out, in addition to a "high tech" race there is also a race in "high ec," namely a competition in terms of the system of production. He states further that the Asian NICs indeed have become "the shining rivals of the communist East and the socialist South in high ec."[17]

[16]William H. Overholt, "The Moderation of Politics," in James W. Morley (ed.), *New Challenges*, pp. 38-40.

[17]Staffan Burenstam Linder, *The Pacific Century -- Economic and Political Consequences of Asian-Pacific Dynamism* (Stanford: Stanford University Press, 1986), p. 20.

The Security Underpinning and Other Factors

Although the principal concern of the emerging Pacific regional order is economic co-operation, there is some validity in Thayer's observation that this regional order is influenced by the presence of the Asian Socialist states.[18] The influence is more or less indirect and takes subtle forms, but it is nonetheless present. Elsewhere it has been noted that the security aspects of region building in the Pacific have been deliberately deemphasized because they are too controversial and may become a decisive factor because agreement on the nature of security threats and needs is lacking.[19] Indeed, the great diversity among the countries in the region almost immediately prevents them from coming to a consensus regarding security approaches and needs.

Despite differing threat perceptions among the countries in the region, Evelyn Colbert argues that security concerns are an important source of regional linkages.[20] James Morley even suggests that indeed there has emerged a regional security structure which is not so amorphous as it may appear.[21] This security structure "takes the form of what may be called three competing security nets, rather than tight, multilateral, adversarial alliances as in Europe; and although the states in one or another of these Asia-Pacific nets take less explicit co-ordinated action, they do show a high degree of sensitivity to each other and move in ways that, whether consciously taken for that purpose or not, serve the purpose of maintaining and using the net as their international security anchor."[22] The security nets, as Morley calls them, are in essence a multiplicity of theaters, local, subregional or regional, and global. Such a regional security structure indeed could be seen to exist, but given its nature, it is likely to remain implicit. This suggests, however, that the core of the emerging Pacific regional order is perhaps a great deal stronger than it may appear.

Another factor, perhaps less implicit, that has contributed significantly to the rise of the Pacific Basin as a region is technology, in particular as manifested in the development of transportation and communication. In terms of cost, transportation across the Pacific has become comparable to that across the Atlantic. Similarly, communications have become cheaper with the introduction of satellite communications. The vast Pacific Ocean is no longer a barrier. Indeed, its vastness and the huge resources that Ocean offers are seen now as a potentially integrating factor. Proposals have also been made to make the exploration and exploitation of Pacific marine resources the main focus of regional co-operation.[23]

The development of information technologies is also seen to have wide-ranging implications for the region. As suggested by Cleveland, "Pacific history is being driven these

[18]See Thayer, "Emerging East Asian Order," pp. 1-3.

[19]Palmer, *New Tides,* p. 144.

[20]Evelyn Colbert, "Regional Cooperation and the Tilt to the West," in Morley (ed.), *New Challenges,* p. 54.

[21]James W. Morley, "The New World in the Pacific," in Morley (ed.), *New Challenges,* p. 3.

[22]James W. Morley, "The Structure of Regional Security," in James W. Morley, *Security Interdependence in the Asia-Pacific Region* (Lexington, Mass.: D.C. Heath and Company, 1986), p. 6.

[23]Cleveland, *Future of the Pacific,* pp. 3-6.

days by what the French call it 'information' of modern and modernising societies alike."[24] He observes that information is rapidly substituting for capital, labour, and materials all over the Pacific Basin. Noting that the microprocessing revolution has been one of the most significant innovations being introduced in the Pacific Basin, Fry also points to the many other innovations and new concepts that have their origin in the Pacific Basin. In his view, the most exciting aspect of the emergence of the Pacific Basin as an influencial region is its creative contribution to innovations and new trends with dramatic implications for future culture and civilisation. Seen from this perspective, the Pacific region would have a much larger core than the one previously defined, and would include the Latin American countries.[25] In fact, the communication revolution has greatly contributed to the strengthening of human ties across the very diverse Pacific region. However, as shown by John Bresnan, the core of such emerging Pacific community is still confined to an Anglo-East Asian condominium.[26]

Political Aspects of the Pacific Basin

In the final analysis, the emergence of a Pacific regional structure not only depends upon a set of what might be considered as "objective" factors, namely economic and technological factors. Other factors, political and even psychological, are very much at play. In fact, one also needs to take note of the fact that economic and technological issues themselves can no longer be treated as issues of "low politics"; instead, they have entered the realm and perhaps have ever become the centre of "high politics."

In his excellent study describing the rise and predicting the future of the Pacific Basin, William Overholt indicates a number of political problems, and what their implications would be within individual countries as well as for the relations among the small powers, among the big powers, and between small and big powers.[27] The first problem concerns the link between economic growth and political stability, a problem of particular interest to the developing part of the region. At issue here is the fact that the process of rapid economic change will generate profound social changes which in turn affect politics within and among countries in the region. Moreover, economic development would not automatically enhance political stability, contrary to what is often assumed. Overholt suggests that the existence of a strong central government bureaucracy and a party system that links the government to the people could prevent social disruptions. He also notes that the societies in East Asia seem to be willing to tolerate relatively high levels of social disruption so long as they are compensated for by high growth rates. As argued previously, the principal concern of these societies with the survival of the nation and with national security appear to be the main factors that have shaped the so-called Pacific Asian political economic model of development.

Robert Scalapino thinks that this problem would remain a major preoccupation of leaders in the region. As the region con-

[24] *Ibid.*, p. 9.

[25] Fry, "Pacific Challenges."

[26] John Bresnan, "Strengthening Human Ties," in Morley (ed.), *New Challenges*, pp. 91-93.

[27] William H. Overholt, "The Rise of the Pacific Basin," in *Pacific Community* (July 1984), pp. 525-533.

tinues with its rapid economic development, which he thinks it will, there will be a greater potential for a clash between the requirements of political stability and the growing demand for greater openness.[28] This demand flows from the pressures of the newly emerging "middle-class" for greater political freedom and increased political participation. Following a review of political developments in most of the East Asian countries, Scalapino concludes that while the challenge remains great, abrupt systemic changes are not likely to occur and political changes will be evolutionary.

The second problem, which Overholt classifies under the heading of "neo-imperialism" essentially deals with the issue of asymmetrical interdependence between the developing countries and the industrialised countries. As he puts it, "small countries naturally resent the real and perceived dependence that results from having their trade and investment dominated by a single big power or by a combination of a few big powers, even though the trade and investment accelerate their own development."[29] Today, the developing countries in the region appear to have become a great deal more self-confident about their capability to preserve their national or political sovereignty. However, this concern remains deeply rooted in their body politic. Scalapino, and also Evelyn Colbert, detect a trend towards regionalism in the Asia-Pacific region -- manifested in a number of sub-regional organisations, such as ASEAN -- and link this phenomenon to the strategy of these countries to enhance their leverage vis-á-vis the industrialised countries in order to cope more effectively with an asymmetrical interdependence.[30] Overholt argues that a broader Pacific regional co-operation scheme could greatly strengthen the hands of the small states and could greatly stabilise regional politico-economic relations to the mutual advantage of the developing and the industrialised countries.[31]

The third problem relates to big power conflicts. Indeed, four major powers, namely the United States, the Soviet Union, Japan and China, are and meet in the Pacific. Overholt argues that the probability of direct confrontation between the two superpowers has diminished, and that the Sino-Soviet conflict appears to become less volatile. He suggests, however, that different kinds of big power conflicts could emerge in the future, such as between Japan and China as well as between Japan and the Soviet Union. He further argues that Japan-US relations should not be taken for granted either. In a study of the relations among the four big powers and their implications for co-operation in the Pacific region, Roy Kim mentions the presence of four overlapping triangles in the Pacific Basin: (a) Beijing-Tokyo-Washington; (b) Beijing-Moscow-Washington; (c) Beijing-Moscow-Tokyo; and (d) Moscow-Tokyo-Washington. These greatly complicate the politico-security environment, but he merely points out that the Beijing-Moscow-Washington triangle is the most conflictive. In his view, the greater concern would be the development of bilateral relationships. While US-Soviet relationship is seen as the most troublesome, Kim also

[28]Robert A. Scalapino, "Asia's Future," in *Foreign Affairs*, Vol. 66, No. 1, pp. 77-108.

[29]Overholt, "Rise of the Pacific Basin," p. 527.

[30]See Scalapino, "Asia's Future"; also Colbert, "Regional Cooperation."

[31]Overholt, "Rise of Pacific Basin," p. 528.

agrees that Japan-US relations are the indispensible link in any emerging Pacific regional structure.[32]

In fact, a number of analysts seem to agree on the importance of Japan-US relations. Palmer proposes that from almost every perspective, Japan-US relations have been the "core relationship" in the Pacific. He notes also that this relationship is "being jeopardised by economic frictions and the difficulties that the two countries are experiencing in adjusting their bilateral relations to the changes in each country's position at the regional and the international level."[33] Scalapino's note is more optimistic when suggesting that "since US-Japan relations rests fundamentally upon economic interdependence and strategic dependence, they will survive current and future storms."[34] While this optimism might be valid, the process by which the two countries would try to mutually adjust to the changing complex circumstances could have severe implications for other countries in the region. In any event, whether this is a fortunate or unfortunate situation, both the United States and Japan assume a predominant position in the emerging Pacific regional structure.

In describing this new international order in the Pacific, Nathaniel Thayer suggests that "rarely is there an international order ... where economic co-operation supersedes balance-of-power considerations; where two nations predominate, exercising some authority, although not total control, over the other nations; where the nation with greater interest in exercising authority [Japan] is willing to accept the number two position."[35] He further concludes that Japan is doomed to be subordinate. Be that as it may, US-Japan relations will be undergoing significant changes in the years to come; for instance, any "burden-sharing" scheme that will evolve will significantly influence developments in the entire region.

There are different ways of looking at US-Japan relations. Gavin Boyd suggests that the Pacific regional structure, in fact, should be viewed as being composed of two regional systems, a North American system and an East Asian system. He maintains that these two systems are distinct in a number of respects and that the pattern of relations between these two systems is linked primarily through US-Japan interactions. He describes the North American system as one characterised by the hegemonic position of the United States, which exerts strong influence on Canada and Mexico, but deals with each of them bilaterally. East Asia is seen as a larger and more complex cluster of states, in which Japan's position is central but not hegemonic. Boyd prefers to talk in terms of trans-Pacific pattern of relations, rather than a Pacific regional structure, which is heavily dominated by the interactions between Japan and the United States.[36]

A different view would see US-Japan relations in the context of a more diffused environment, namely one that in general is

[32]Roy Kim, "Pacific Basin Cooperation: Problems and Prospects," in Kim and Conroy (eds.), *New Tides*, pp 168-188.

[33]Norman D. Palmer, "The United States and the Western Pacific: Understanding the Future," in *Current History*, Vol. 85, No. 510 (April 1986), p. 147.

[34]Scalapino, "Asia's Future."

[35]Thayer, "Emerging East Asian Order," p. 13.

[36]Gavin Boyd, "Trans-Pacific Politics," in Gavin Boyd (ed.), *Region Building in the Pacific* (New York: Pergamon Press, 1982), pp. 8-11.

characterised by pluralism. The talk has been on the shift from bipolarity towards multipolarity, but perhaps the change has been more aptly described by Robert Scalapino as a move from alliance to alignment.[37] In addition, it remains largely a matter of speculation what the regional implications would be of Gorbachev's diplomatic overtures to the Pacific that began with his speech at Vladivostok in July 1986. One optimistic view suggests that "the fact that both the Washington-Tokyo and Moscow-Beijing relationships are in disequilibrium provides opportunity for movement, especially when economic advantages for all four parties might result from co-operation among them. Hence, from the 'negative' -- that is, the breakdown of the previous alliance systems -- a 'positive' Pacific Community system may be born."[38] This view, however, is less clear as to how this "emerging four-power stability" will facilitate the formation of a Pacific regional structure. Nonetheless, it notes that the emerging centrality of the Pacific region in the four powers' foreign policies is strikingly clear.

Perhaps of greater importance is the fact that the Pacific region which has drawn so much attention is the one that is based on economic interdependence. This was explicitly recognised in Gorbachev's Vladivostok speech, which also served to indicate a strong Soviet interest to become a part of the Pacific phenomenon. While the existing core of this functional region is still plagued by a lack of clear consensus on a variety of political issues, the growing pressures to expand the core definitely pose an additional serious political problem. On top of this, while this emerging regional structure is still in its embryonic stage of organising the Pacific internally, the growing expectation placed on the region to play a major role in shaping the international political economy adds even greater pressures.

[37]Scalapino, "Asia's Future."

[38]Hilary Conroy and Robert Kim, "Conclusions," in Kim and Conroy, *New Tides,* p. 194.

Book Reviews

The Success Story of the Overseas Chinese in the ASEAN Countries

The Overseas Chinese in ASEAN: Business Strategies and Management Practices by Victor Simpao Limlingan (Manila: Vita Development, 1987), 166 pp. This review article by H. Junus Jahja is translated from *Kompas,* January 22 1989.

THE NUMBER of the Population in the ASEAN region in 1982 totalled 270 million (nearly similar to that of EC and the USA) and according to an estimate 5.5-6 per cent, or about 20 million are overseas Chinese (for this study the definition used by Dr. Limlingan is: Those who settle in this region and consider themselves Chinese irrespective of their citizenship or ability to speak Chinese).

Except for Brunei (with its enormous oil production) the ethnic Chinese play a very dominant and prominent role in the economy. This is supported by statistical figures and elaborations in diverse literature. And it is also worth noting that the largest private national bank in Southeast Asia is owned by an ethnic Chinese (Bangkok Bank), whereas the biggest agrobusiness in ASEAN is owned by the Pokphand family (the brothers Chia Ek Chaw and Chia Seow Whooy). Meanwhile the largest private groups in Indonesia are the Liem and the William Suryadjaya's Astra Group.

Generally these overseas Chinese are relatively better off than the "indigenous" people. Their successful performance in the economic field has since long ago attracted the attention of reporters and scientists as well. The question is not why but how they manage to be successful? This is precisely the question that Dr. Limlingan wants to answer (Dr. Limlingan himself is an ethnic Chinese).

Capital and Business in Their Blood?

There is a hypothesis saying that these Overseas Chinese are successful because trading has become their second nature and they have sufficient capital. This is not true

since the history of their exodus from the mainland of China revealed that especially during the last centuries, those who came here were generally manual labourers recruited among peasants in rural areas, who were totally inexperienced in business. They were very poor and they sent their savings (if any) earned from their profession as labourers to their families they left behind in their homeland. Hence basically what they had saved did not suffice as capital to start business with.

There is a theory contending that their success is due to factors such as, their origin as immigrants, minority status, Chinese culture, or because of ASEAN's economy environment in particular. However, there are other groups of immigrants, aside from the ethnic Chinese, who are not successful in the same region. Were they successful because of their minority status? Singapore's majority population are the ethnic Chinese, they are however successful (as is the case with Hong Kong and Taiwan). Is it due to their being ethnic Chinese? If this is the case, why are the Chinese on the Chinese mainland unsuccessful? Are they successful because of ASEAN's economic environment? However, why precisely are the "indigenous" people in those countries concerned less successful?

After conducting library and field researches (among others by interviewing experts in the ASEAN countries) the writer eventually draws an interesting conclusion. The ethnic Chinese are successful because they possess a business policy framework in the form of superior business strategy. In fact it is a series of strategy based on creating and perpetuating superior performance. It is in a way also related to the innate Chinese culture. Based on the aforementioned observation, the "Hoakiao" (overseas Chinese) issue (or their successful economic performance in the ASEAN countries) is presented as a mere business phenomenon. Hence the material may be studied carefully far from being influenced by an emotional atmosphere.

Superior Elements in the Business Strategy of the Overseas Chinese

These elements among other things include the following: low margin/high volume strategy. In the ASEAN developing countries, the Chinese entrepreneurs mainly serve to function as intermediate traders. In applying the market entry strategy, they adopt unexpectedly the low margin policy. This is very beneficial since it among others mitigates the antipathy of the indigenous people with regard to their existence. Besides, inefficient competition will be pushed aside and a disguised huge profit is made possible by the large trade turnover. And most importantly is the fact that this strategy has made the Chinese business man dominant in markets to which they have access. In addition, mentioned business man also applies the strategy of the economies of scope.

In the same market he also collects other products (he may purchase from farmers corn aside from rice). And other products which minimise operational cost. Thereafter the trader may apply what Dr. Limlingan terms as the achievement of economies of scope, namely to manipulate the existing business opportunities to become business deals which are profitable to the Chinese Trading Company. They are indeed suitable for the exploitation of other emerging opportunities.

The More Being Cornered, the More Headway One Makes

The industrialisation policy of the government in Indonesia and the Philippines which is based on import substitution and nationalist economic policies have led to the decline of trade activities among the ethnic Chinese. This has made them shift to manufacturing while continuing making profits through business deals, not by virtue of common trade such as selling and buying goods. A case in point in Indonesia are: the Liem Group and ASTRA. In Malaysia the New Economic Policy of the government has generated the ethnic Chinese business strategy which is based on developing political power in order to retain the portion obtained from the overall economic pie. In Thailand, the government adopts an economic policy which is based on developing the agricultural sector and assimilating its ethnic Chinese citizens. In Singapore the government continues to apply the strategy of preserving this island state as an entrepot and Southeast Asian monetary centre. Aside from that, the government also sets up an industrial basis which is competitive in the international world. In all the countries mentioned above the situation has motivated the ethnic Chinese to develop themselves from traders to become industrialists. Sometimes it happens unexpectedly and unintentionally since the government's intention is exactly minimising the economic gap between the indigenous people and the ethnic Chinese.

According to Dr. Limlingan, the business strategy and management pattern of the ethnic Chinese in ASEAN are beneficial to various groups and should be studied. Aside from being beneficial to managerial experts, it is also interesting to find out to what extent the entrepreneurship concerned can be preserved in their respective companies by their own respective professional managers. To what extent can the institutional and business strategy of the ethnic Chinese, which is based on two strengths namely entrepreneurship and Chinese culture, be continued? In the more practical field, the business institutions too in the ASEAN region are very much concerned with the business strategy and management of the ethnic Chinese in order to study and draw a lesson from them. And last but not least, their business strategy and practice should also become the concern of the economic decision makers (the government), who in the past actually took part in creating the existing strategy of the ethnic Chinese.

According to this book which is full of scientific information, the respective governments show their lack in controlling the business operations of the Chinese firms. There is a wrong assumption contending that the Chinese traders are successful because of their excessive profit margin and many other assumptions which are also incorrect. Dr. Limlingan among other things shows the inconsistencies of certain governments due to lack of co-ordination. There was a nationalisation of retail traders in order to "control" the ethnic Chinese by a certain department. However, the other section of the same department precisely provide redundant protection to the ethnic Chinese as investors in pioneer-industries through soft credits and other subsidies.

Conclusion

Dr. Limlingan suggests that more comprehensive researches be conducted con-

cerning the material discussed. Indeed, a more profound study is called for instead of mere writing on how "the Success Story of the Overseas Chinese" has come about in ASEAN, since the existence of this group of its population is quite decisive in determining the future and welfare of this region.

Abolishing a Bureaucracy Is Not Debureaucratisation

A Hidden Crisis in Development (in Indonesian, *Krisis Tersembunyi dalam Pembangunan)* edited by Arief Budiman and Ph. Quarles van Ufford. Jakarta: Gramedia, 1988, 390 pp. This review article by R. Suryawan Saiman is translated from *Suara Karya,* February 3 1989.

DEVELOPMENT as an effort to increase welfare has its dynamism implicating so many bureaucracies and regulations. In many Third World countries the phenomenon of the implication and augmentation of bureaucracy and regulations has caused much concern among the respective governments. That concern is obviously founded since such a condition will disrupt the smooth process of development.

As a developing country, Indonesia has rapidly identified that phenomenon so that the debureaucratisation and deregulation measures will help overcome the constraints of development. In fact, the steps taken to apply the debureaucratisation and deregulation term is inappropriate. The prefix de means abolishment whereas bureaucracy and regulation, at certain stages, become imperative which are needed in development. Abolishing them seems to be impossible. Issues on organisation and the existing organisational capability have to be discussed and analysed more comprehensively (p.7).

The issue on developmental organisation and organisational efficacy relates to the implication of foreign aid together with the results achieved that it becomes the main idea of the writings in this book. Based on its original title, *The Hidden Crisis in Development: Development Bureaucracies (1988).* The readers may frown in order to further understand each exposition, but the presented writings of the said experts are worth reading in addition to the problems discussed, which are quite enchanting. Problems related to such a development crisis are indeed seldom discussed outside the corridors of the bureaucracy which are places where the bureaucracy originates. Quarles defines the issue in three levels which are different from one another though interrelated to each other. The first level, namely the global one, consists of five writings highlighting organisations at transnational and international levels as donors of aid to Third World countries. Included in it are the bilateral relationship with

the countries of destination and their respective bureaucracies.

The main appeal is noticeable in the first two writings within the scope of this global level, namely those of William Erath and Dirk Kruijt entitled "Co-operative Development Body of the Netherlands: Policy, Organisation and Implementation"; and the writing of Philip Quarles van Ufford himself entitled "The Myth of Rational Development Policy: A Counter Evaluation against the Making of Policies within the Dutch Donor Bodies." In great outlines, this global level emphasised on co-operative development between the Netherlands and Indonesia and Peru.

Since the decade of the 1950s Canada's aid has been emphasised on the reciprocal aspects of recipient countries. Meanwhile, the Dutch place more emphasis on the benefit of aid to groups of people belonging to the poorest stratum. Peru's success in utilising Dutch aid should be further examined. Again, in this case socio-political conditions play an important role.

On the other hand, Quarles places more emphasis on private institutions as donors, though a greater portion is given to the importance of evaluation at each level to see the efficacy of funds allocation.

It is really obvious that Quarles places much emphasis on highlighting Third World or developing countries, and scrutinises donor countries by particularly focusing on the Netherlands and Canada.

The increase of bureaucratisation and the complexity of an organisational field has been to a large extent caused by the change of capital flow. The source of the change of macro organisations lies outside the actions of specific institutions, namely in the struggle to accumulate capital (p. 254). Theodore E. Downing concluded by analysing the macro organisation of Mexico's coffee industry in 1888-1977. In the second part of the three sections of this book, which discusses the national levels, development bureaucracies in Thailand and Mexico are exposed clearly and made clearer with related cases. The problems related to the development bureaucracy in those countries, and perhaps also in other countries, are questioning to a large extent the political and economic contexts. Those contexts brought about specific constraints on the administrative process and the results of rural development policies.

This second section shows the intricacies of bureaucracy through which the development funds from donor countries have to go through, before reaching the managers of development at the local level. The background of the examples in Thailand and Mexico, may become some sort of a guidance to correct and to straighten out such a condition in Indonesia.

In the last section of this book four essays describing the bureaucratic routine in the local level are presented, two of which are written by Indonesian women. Paulus Hidayat Santosa who writes one of the two essays which are not written by the two female scholars mentioned above, has also sharply expounded social participation as being more preferable than the hierarchical structures. Apparently the action of the programmers concerned should also be given to the analyses written by Pudjiwati Sayogyo (who analyses the role of women in the development of Indonesia) and those written by Aida V. Hubeis (who analyses the kitchen garden projects with her perception on the

importance of participation at all levels of organisations for the successful outcome of the development programme).

The importance of the relationship between the different levels of organisation is expounded earlier by Quarles in the Introduction. Owing to the knowledge and control mentioned above, the fear for government's ignorance and for losing control over the implementation of government's programmes, should not give rise to over-anxiety.

Nevertheless, separation between decision making processes in the development bureaucracy has become worse as the result of growth, which has led to the aforementioned loss of control and ignorance (p. 27).

The present condition, which has brought about government's ignorance and loss of control over the implementation of their programme is none other than the impact of the dynamics of bureaucratisation getting out of control. To overcome this the taking of steps by debureaucratisation and deregulation seems to be insufficient. More indepth analyses and corrections are called for though they need not be viewed from the political point of view. This book may be used as a guide for more indepth analyses. Doesn't the diversity of bureaucratic problems serve to function as the basis of our guidance? It is obvious that this book calls for further study less its stake is the development of the state.

Indonesia's Industrialisation or Assembling Industry

Industrialisation in Indonesia, Analysis and Notes (in Indonesian, *Industrialisasi Indonesia, Analisis dan Catatan)* by Thee Kian Wie. Jakarta: Pustaka Sinar Harapan, 1988, 276 pp. This review article by Joao Mariano de Sousa Saldanha is translated from *Kompas,* January 8 1989.

IT CAN almost be ascertained that all development efforts made by developing countries will eventually be geared towards industrialisation. The more so if a developing country is closely related to industrialised countries (Western countries). In implementing its development programmes it acquires full support from Western countries since it is considered having similar political and ideological orientation if not identical.

Hence it is not surprising if some development models/strategies of Western countries are applied just like that in the developing countries regardless of their methodological and theoretical relevance to the condition of the developing countries concerned. This is understandable since at the time the developing countries embarked upon their development plans, the available

models/strategies were those of the industrialised countries of the West. On the other hand during that period nearly all experts were convinced that if a certain theory, model and strategy were applicable to Western countries, there was no reason why the same theory and, model could not be applied as well in developing countries including Indonesia.

The technocrats likewise were influenced by the industrialisation strategy of the countries in the West at the onset of the New Order's development period. This is the more so in view of the fact that nearly all Indonesian technocrats were educated in those Western countries. The development strategy which was based on industrialisation (manufacturing) and economic growth was reflected in Indonesia's development trilogy and target, namely to create an economy which was balanced by industry sustained by agriculture.

Today on the eve of Pelita IV, the timespan of 20 years of Indonesia's development may give us a picture of the course of Indonesia's industrialisation, since such a length of period is sufficient for an economic structural transformation to take place in a country. The transformation from the traditional sector to the modern one, or from the agricultural to the industrial sector etc. In such a framework of analysis the question is raised as to how Indonesia's industry look like during these 20 years? Does industrialisation really occur in Indonesia? This is precisely the study and answer that Dr. Thee Kian Wie wants to convey in his new book, *Indonesia's Industrialisation.*

The economist who is also interested in issues on development and its equitable distribution writes some analyses and critical notes on development (industrialisation) in Indonesia. He eventually comes to the conclusion that Indonesia has generated an industry, which is only capable of merely assembling on the basis of high cost inefficient proliferation, and which does not constitute the engine of economic growth, but has rather become an impediment to Indonesia's economy (p. 11).

High-cost Economy

Although the writer does not make a detailed study on the structural transformation of Indonesia's industry (which is the flaw of this book) he points to some major problems which are estimated to be the cause of the sluggishness of Indonesia's economy during the oil boom. One of them is high-cost economy which has been widely discussed for the last two years and constitutes one of the factors, which is also accounted for in the implementation of the debureaucratisation and restructuring policy.

Indonesia is proceeding through an inefficient economy. Meanwhile the import substitution strategy which was at the onset considered to be the gate for industrialisation has precisely strengthened inefficiency since production is carried out on a large-scale protection basis. High tariffs and import restrictions quantitatively imposed reflect the strong protective policy. On the other hand, the protective policy has been adopted with the objective to protect the domestic infant industries, a great number of which are managed by Indonesian entrepreneurs. In such a condition the entrepreneurs need not be too competitive since the (domestic) market will not be dominated by foreign products. Products will continue to

be sold as long as they are fortified by protection. There is also no need for laborious efforts to increase product quality and to expand the enterprise lucratively. Little/minimal effort will suffice and with low quality products one can also gain considerable profits.

Unfortunately the entrepreneurs were not aware that the facilities and profits they enjoyed were partly derived from the subsidy and tax relief provided by the government. The subsidy and tax relief should instead be channeled to the poor group constituting 40 per cent of the population through various investment programmes which are labour intensive. The major flaw of Indonesia's industry is the negative value added induced if calculated on the basis of international price (p. 33).

The inefficiency of Indonesia's industry has been compounded by a disadvantagious business environment. The intricate licencing system in the form of long procedures constitutes a condition which has also hampered the development of Indonesia's business community. Besides, decisions made on permit allocation, which is often based on the individual consideration of certain government officials becomes the object of bribery attempts of rent seekers who are seriously competing to obtain licencies (p. 98). This rent seeking business does require skill, experience or special connection which can only be obtained by paying a high price in exchange for the service rendered.

The deteriorating oil prices in the international market is indeed a tragedy for Indonesia's economy. However, the advantage that can be gained from that situation is that the government and the business community are made aware of the fact that the economy cannot be arranged on the basis of a single export commodity with high protection on other potential export commodities. Industry based on import substitution cannot be relied upon in the efforts of industrialisation. Therefore the government, through debureaucratisation and deregulation measures looks for alternative commodities as foreign exchange earnings to finance the continuity of development. Accordingly the door is open to applying the export promotion strategy.

To relax protection and subsidy, to intensify efforts in collecting taxes and simplifying procedures of investment; those government measures are, as it were, bad dreams for Indonesian entrepreneurs. The "honeymoon" period (protection and subsidy) has ended. They have to face one single option all of a sudden if they want to survive. This means taking a more aggressive stance in the competition in both domestic and international markets.

Assembling

Indonesia's assembling pattern was oriented towards import substitution until the second half of the decade of the 1980s prior to the oil price tragedy. The manufacturing industries built in the early stage of the import substitution industrialisation are generally assembling industries which assemble the final products of imported raw materials and components. This means that during the four Pelitas since the establishment of the New Order Indonesia's industrialisation has merely been able to produce final products. In other words the industries in Indonesia are of an assembling character or assembling at the final stage.

Obviously such industries do not generate high value added. Neither do they provide the opportunity for technology transfer on a large scale (p. 106).

Accordingly the trickle-down effect which is expected from Indonesia's industrial growth does not take place. If that effect occurs it would be so insignificant that it could be ignored. On the contrary, those who enjoy that effect are precisely the countries of origin of the imported raw materials, spare parts and components. Hence, neither are abundant employment opportunities created by those industries.

Downstream assembling industries do not choose a strong structure. Should only a slight fluctuation occur in the economy, some industries would have immediately thrown in the sponge or made lay-offs which is unpraiseworthy. Hence the desired industry is an industry having a strong structure (upstream industry). It will be able to create sufficient employment opportunities and will not strengthen an inter-sector polarisation, be it modern or traditional, rural or urban and central or peripheral. An industrial structure which is strongly rooted in Indonesia is called for. Not the reverse, which is rooted in foreign countries and is just seeking shelter in Indonesia. Should this happen, this means that the development of industry in this country would merely serve to function as a drain pipe channeling Indonesia's riches abroad. Accordingly Indonesia would be subsidising the welfare of other countries.

This book is indeed a critical note on Indonesia's industrialisation in accordance with its title. With red as background and a layer of black colour on its surface the book is divided into three sections and five chapters, and the writer systematically suplements his elaborations with a subcontract system and two case studies of the inefficiency of BUMN (Government-run Companies).

The analyses of this book would have been more complete had the writer elaborated in detail the structural transformation of Indonesia's (industry) economy. This also applies to the orientation of the debureaucratisation and deregulation measures with a critical evaluation on some policy packages considered to be worn out. Nevertheless, this book is still important for those who are interested in the economic development of Indonesia and her industrialisation process.

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